State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

November 2011

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Office of Financial Management

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Office of the State Actuary
Office of the State Auditor
State Investment Board
Department of Retirement Systems
Department of Transportation
State Health Care Authority
All state fiscal personnel

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

November 22, 2011

The Honorable Christine Gregoire, Governor
Honorable Members of the Legislature
Citizens of the State
State of Washington
Olympia, Washington 98504

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year ending June 30, 2011. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unqualified ("clean") opinion on the Washington State financial statements for the fiscal year ending June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Following the MD&A are the basic financial statements, including the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The required supplementary information, combining and individual fund financial statements, and the statistical section complete the CAFR.

Profile of Washington State

Washington State was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,303 square miles. Its current population is 6.8 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline has hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

Washington's location makes it a gateway for land, sea, and air travel to Alaska and Pacific Rim countries. Ships from all parts of the world dock at Washington ports. Costco Wholesale Corporation, headquartered in Issaquah, operates an international chain of membership warehouses. Microsoft, a leader in the computer software industry, makes its home in Redmond. Major internet retailer, Amazon.com, and worldwide renowned coffee company, Starbucks, are both headquartered in Seattle. The Weyerhaeuser Company, a major producer of wood and related products, is headquartered in Federal Way.

East of the Cascade Mountain range, farmers raise livestock and grow a variety of crops such as wheat, potatoes, and tree fruits. Washington leads the nation in apple and hops production, makes world-class wine, and produces large amounts of lumber, pulp, paper, and other wood products. Western Washington's mild, moist climate makes that region excellent for dairy farming and the production of flower bulbs.

GOVERNMENTAL STRUCTURE

As established in the State Constitution, Washington State has Executive, Legislative, and Judicial branches of government. The Executive Branch has nine elected officials: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, and Commissioner of Public Lands. Forty-one agency heads are appointed by, and report to, the Governor. Eighty-six agency heads report to boards appointed, in whole or in part, by the Governor. The Legislative Branch consists of the Senate (with forty-nine members) and the House of Representatives (with ninety-eight members). The Judicial Branch consists of the State Supreme Court, the highest court in the state, which has nine Justices. Every two years, three Justices are elected for six-year terms. A Chief Justice is chosen from among the most senior Justices. The Judicial Branch also includes the state's superior courts, justices of the peace, and such inferior courts as the Legislature may provide.

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

The state provides a wide range of services that include education, transportation, environmental and natural resource protection, and social and health services.

The accompanying report includes all funds and subsidiary accounts of the primary government, the State of Washington as legally defined, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statement No. 14. Note 1.A to the financial statements explains more fully which organizations are included in the reporting entity.

THE BUDGET CYCLE

Washington enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.

Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level. The legal level of budgetary control is at the fund/account, agency and appropriation level, with administrative controls established at lower levels of detail in certain instances.

Washington State's Economy and Revenue Outlook

SUMMARY

Since the nation's recession began in December 2007, Washington State has lost almost 206,000 jobs, or about 6.9 percent of total nonfarm payroll employment. While the state appeared to lag the nation into this slowdown, local losses accelerated in late 2008 and, for the most part, began to mirror national trends. By June 2009, the nation was officially out of recession and national economic indicators were signaling a recovery in economic output. However, employment was noticeably restrained as employers sought to increase output through productivity gains rather than by hiring additional workers. Employment patterns were inconsistent throughout 2010 as the use of temporary Census workers in the late spring and summer masked the lethargic employment trends in the remainder of the economy. Employment growth turned positive in the last quarter of 2010 and accelerated slowly through 2011. Employment should maintain its positive track through 2012 though at a growth rate less than half the historic norm. Because of Washington's export-dependent economy, and because of the relative strength of the Asian economies and trade, Washington is expected to lead the nation during this recovery and expansion in terms of income growth, thanks to higher average wages in aerospace and software.

It is expected that Washington's recovery and expansion will build upon the diversity of the state's economy, whose elements include a vital export base; the presence of knowledge-based industries such as business, professional, health, and financial services; and an attractive quality of life. All these elements should continue to support population growth.

Washington's nonfarm payroll employment grew by 0.5 percent in fiscal year 2011, compared to the 4.0 percent drop in fiscal year 2010, and the 2.0 percent drop in fiscal year 2009. The aerospace industry was able to maintain relatively steady payrolls despite weakness in the global airline industry, thanks primarily to a long backlog of orders. In addition, the final awarding of the Air Force Tanker contract to Boeing and the Federal Aviation Administration (FAA) certification of the 787 Dreamliner should strengthen payrolls in fiscal year 2011 and beyond. Total manufacturing employment grew 1.3 percent in fiscal year 2011 as production schedules ramped up and a weak dollar gave Washington products an advantage in the international markets.

Washington's unemployment rate eased modestly in fiscal year 2011, as a slow-growing national economy, weak housing markets, and volatile energy costs continued to hamper the labor markets. As the annual unemployment rate eased down to 9.3 percent from 9.8 percent in the previous year, Washington's jobless rate tracked closely with the national average throughout this period.

Personal income grew 4.9 percent in fiscal year 2011, despite the slow pace of hiring and whip-sawed financial markets. Real personal income – after factoring out inflation – grew by 3.1 percent in fiscal year 2011 after falling 2.5 percent in fiscal year 2010. In comparison, real personal income fell 1.1 percent in fiscal year 2009, and grew 4.9 percent in 2008 and 5.9 percent in 2007.

Washington's outlook for fiscal year 2012 is for modest gains in economic growth as the recovery and expansion from the financial crisis and national and international recessions gain a small degree of traction in the local economy. Nonfarm payroll employment in Washington is forecasted to increase in fiscal year 2012 by 1.2 percent. Personal income in fiscal year 2012 is predicted to grow by 3.6 percent in current terms, and by 1.6 percent in real terms.

General Fund-State revenues are forecasted to grow at a 7.1 percent rate in the 2011-13 biennium, compared to the 5.9 percent decrease in the 2009-11 biennium. The slow economy and weak housing markets have had a negative effect on revenue growth. Particularly hard hit have been retail sales and real estate excise taxes.

ECONOMIC CONDITION IN FISCAL YEAR 2011

Washington's nonfarm payroll employment grew by 0.5 percent in fiscal year 2011, compared to the 0.6 percent growth in U.S. nonfarm payroll employment. The absolute increase in Washington's nonfarm payroll employment was 13,400 during fiscal year 2011. Personal income in Washington fell behind the U.S. pace: up 4.7 percent compared to a gain of 5.4 percent for the U.S. Because Washington's personal income had not fallen to the same degree as the nation in the previous two years, the rebound effect in Washington would not have been as vigorous as the nation during the subsequent recovery (i.e., the state did not have near as deep a hole from which to extract itself in 2011). Real per capita income grew by 1.9 percent in Washington over the same period, again lagging the nation, which experienced a 2.6 percent gain.

Aerospace employment provided an anchor for Washington's manufacturing sector in fiscal year 2011. While aerospace employment did ratchet down a modest amount in fiscal years 2009 and 2010, fiscal year 2011 saw a return to aerospace employment gains with an additional 1,400 workers, a growth rate of 1.7 percent. The awarding of the Air Force Tanker contract to Boeing, along with the FAA certificate of the 787 Dreamliner, will help add stability to aerospace and other manufacturing employment for the foreseeable future.

Manufacturing employment, other than aerospace, was less vibrant, but still grew by 1.1 percent. Durable manufacturing industries, which had experienced pullbacks in employment in fiscal year 2010, turned up in fiscal year 2011 as the national economy and export market began to strengthen. Nondurable manufacturing employment, which had declined 4.7 percent in fiscal year 2010, eased upward in fiscal year 2011 as demand for processed food and paper products solidified.

Employment in durable manufacturing, other than aerospace, grew by 1.4 percent in fiscal year 2011 (a gain of 1,400 jobs), while employment in durable manufacturing increased by 1.8 percent nationally. Employment patterns in durable manufacturing industries were mixed in Washington during fiscal year 2011. Specifically, employment in lumber and wood products, nonmetallic mineral products, ships and boat building, and other durable goods were all down, while primary metal, fabricated metal, computers, machinery, electrical equipment, and aerospace were all on the plus side of the ledger.

Washington's lumber industry is dependent upon local and national home building trends. The housing market in Washington had begun to soften in fiscal year 2008, and the national markets had been weak since the end of fiscal year 2007. The continued weakness in home building resulted in a 1.4 percent decline in wood products employment in fiscal year 2011. Employment in other transportation equipment (other than aerospace) was also mixed as demand for heavy trucks rebounded thanks to renewed wholesale and other distribution activity while ship and boatbuilding activity continued to soften. As aerospace employment strengthened, employment in primary and fabricated metal products – a major supplier to aerospace – grew by 4.1 percent in fiscal year 2011, despite the more intense use of composite materials in newer aircraft. Machinery manufacturing employment increased 5.3 percent in fiscal year 2011. Computers and electronic products were up 1.4 percent, while employment in other durable manufacturing was down by 1.5 percent.

Nondurable manufacturing employment in Washington increased by 0.8 percent in fiscal year 2011, a gain of about 600 jobs. Nationally, nondurable manufacturing employment declined by 0.8 percent over the same period. In Washington, employment in food manufacturing grew 0.9 percent in fiscal year 2011 as a result of a rebound in the export markets. Printing and paper products employment dropped 2.8 percent in fiscal year 2011 as a result of declining national demand for magazines and newspapers.

Washington's non-manufacturing employment advanced 0.4 percent in fiscal year 2011. Among the major non-manufacturing sectors, construction, financial activities, and government experienced declining payrolls in fiscal year 2011. Construction and financial activities are inexorably linked through the housing market which will be constrained for the foreseeable future. All other major nonfarm services sectors posted payroll gains for fiscal year 2011 with professional and business services outpacing the field with a growth of 3.7 percent.

The construction industry posted a 5.1 percent loss in employment as the housing market remained weak throughout the year. The housing market in fiscal year 2011 was little changed, though continued declines in mortgage interest rates seemed to stem the decline in housing prices somewhat. Weakness in the labor market and in the resumption of home foreclosures continued to be a drag on the housing market and construction sector.

For many years, employment growth in the information sector has relied almost exclusively on the strength of software publishing. However, after a run of 27 years, software employment fell 2.6 percent because of restructuring at Microsoft in fiscal year 2010. The sector's employment stabilized in the last half of fiscal year 2010 and began a slow up-turn in fiscal year 2011, growing 1.0 percent.

Both wholesale and retail trade employment increased by 1.0 percent in fiscal year 2011. While this was a welcome turnabout from fiscal year 2010, it was slow relative to what one would expect from an economy in recovery. Professional and business service jobs advanced by 3.7 percent in fiscal year 2011, as the great majority of activities within the sector gained strength over the year. Education and health services reported an increase of 1.5 percent during fiscal year 2011 – the one major sector seemingly unaffected by slumping demand. Leisure and hospitality services recorded a 0.5 percent increase as food and beverage establishments experienced a modest turn-around and as hotels and motels were feeling upbeat about higher occupancy rates. Employment slumped in the public sector as state and local governments continued to be beset with revenue shortfalls resulting in payroll cuts.

ECONOMIC OUTLOOK

The forecast for Washington State for fiscal year 2012 reflects the continuation of slow but steady employment growth at both the state and national levels. According to the September 15, 2011, forecast by the state Economic and Revenue Forecast Council, Washington's nonfarm payroll employment is predicted to increase by 1.2 percent in fiscal year 2012, a bit quicker than that of the nation. Up until the middle of fiscal year 2010, the economic recovery was characterized by an expansion of existing workers' hours rather than new hiring. In addition, an aggressive cycle of productivity gains through the early period of economic recovery had also kept hiring at bay. With the end of the productivity surge in early 2011, employers began to expand their payrolls to increase output. This pattern should hold through fiscal year 2012.

Manufacturing employment in Washington is projected to continue its upward course in fiscal year 2012. The aerospace industry is expected to add another 6,800 workers in fiscal year 2012, and durable manufacturing, aside from the aerospace sector, is expected to grow by 3,900 jobs as business investment and exports boost demand. As a result, primary and fabricated metals, machinery and electrical equipment, computer and electronic products, and other transportation equipment are all expected to solidify their employment base.

The wood products industry was hard hit by both the housing bubble and the slowdown in international trade. But after five years of downward trending employment, the wood products sector should begin to hold its own in fiscal year 2012 as the nation's multi-family market and increased residential remodeling shore up demand for wood products. It is unlikely, however, that any market rebound will result in the recovery of all the wood products jobs that were lost in the recession.

Nondurable manufacturing developments should be a mixed bag in fiscal year 2012. Employment in food manufacturing is forecasted to decline by 3.6 percent, while employment in other nondurable manufacturing sectors will increase. Employment in paper and paper products manufacturing is expected to grow by 1.6 percent in fiscal year 2012, and other nondurable manufacturing should increase by 3.1 percent.

In the non-manufacturing sectors, the strongest employment growth in fiscal year 2012 is predicted to occur in professional and business services (3.8 percent) as business-to-business related activity increases, particularly computer systems design and employment services. Information payrolls are expected to gain 3.1

percent, thanks to the resumption of growth in software publishing that is expected to grow by 6.3 percent in fiscal year 2012. Competition for skilled technical workers kept employment growth stunted in fiscal year 2011, but enhanced compensation packages helped boost employment in the latter stages of the year and should help the sector carry some momentum over the next several years.

Wholesale and retail trade should post moderate job gains of 2.8 percent and 2.4 percent respectively in fiscal year 2012. Increased international trade volumes will help boost demand for wholesale trade activity. Retail payrolls will likely be spurred by both growth in income and overall nonfarm payroll employment.

Education and health service jobs should also post a moderate 2.7 percent gain in fiscal year 2012. Health services have proven to be much less susceptible to economic downturns than other sectors of the economy. The coverage provided by public and private insurers provides the economic buffer for this sector.

Leisure and hospitality jobs are projected to grow 3.0 percent in fiscal year 2012. Travel and eating out activities were put on hold during the recession. Recent gains have been modest because of the slow growth in employment and incomes. Because both overall income and employment are expected to post moderate gains in 2012, so too should the leisure and hospitality sector.

Several non-manufacturing sectors are expected to experience job losses. Construction declined by over 69,000 jobs between fiscal year 2008 and fiscal year 2011. Fiscal year 2012 will also be a year of losses in construction jobs though not near the magnitude of the last few years. We expect a drop of 0.5 percent as home-building and commercial building activities struggle with excess inventories of unleased office space and foreclosed homes. Growing demand for rental apartments and residential remodeling should help stem further losses in the last half of fiscal year 2012.

Employment in financial activities will remain slow because of continued difficulties among state chartered banks; many were over-exposed in commercial building loans when the market weakened. Those banks that survived the shake-out have emphasized recapitalizing their balance sheets, which in some ways has been detrimental to small business lending activity. Payrolls are expected to decline by another 0.2 percent in fiscal year 2012.

Federal government payrolls will decline by 1.7 percent in fiscal year 2012 because of the easing of defense-related federal expenditures. State and local government employment will also dip 1.5 percent as slow labor markets and slower than expected consumer spending impede revenue collections.

Washington's personal income is expected to grow by 3.6 percent in fiscal year 2012, a bit slower than the 3.8 percent growth in U.S. personal income for the same period. Employment is expected to gain some traction in fiscal year 2012, and as a result, the wage component of personal income should grow at a 3.5 percent pace. But, because of the slow turnaround in the labor markets and the difficulties among the long-term unemployed, the use of unemployment compensation, an important component of personal income, will actually decline by 13.6 percent in fiscal year 2012. Proprietors' income is projected to grow at a 5.9 percent clip in fiscal year 2012 as entrepreneurs ride the upswing in the economy. Dividends, interest, and rents will grow at a 5.7 percent pace as financial markets extend their recovery.

Major Initiatives

For more than three years, ever since our nation fell into the recession, states have seen their budgets battered by plummeting revenue and rising demand for services. Washington is no exception. Over the past five quarters, starting in September 2010, state General Fund revenue projections for the last biennium and the current biennium have declined by more than $4.8 billion. The recession and the downward spiral in revenue collections have fundamentally altered Washington's fiscal outlook and forced the state to take dramatic, and often painful, steps to put our state budget on a more sustainable trajectory.

Last year, Governor Gregoire launched her "Transforming Washington's Budget" initiative. She invited leaders from all walks of life to serve as an advisory board to examine the assumptions underlying the budget and suggest ideas for changing how the state conducts business. The Governor also solicited ideas from the public through a series of hearings and an online forum. Finally, the Governor used the Priorities of Government process and a series of tough questions to identify the most essential state services.

Working in an unprecedented bipartisan spirit, the Governor and the Legislature approved a 2011-13 biennial budget that includes more than $4.5 billion in reductions as well as major cost-cutting reforms and agency consolidations. However, additional cuts will be needed. Less than three months after the new budget went into effect, the state's revenue projection for the current biennium was reduced by $1.4 billion.

TRANSFORMING GOVERNMENT

Lawmakers approved the Governor's proposal for the state's most significant agency consolidation in decades, including creation of the Department of Enterprise Services (DES). This consolidation merges the Department of General Administration, Department of Information Services, Department of Personnel, the State Printer and portions of the Office of Financial Management into two agencies. DES will handle facilities and lease management, fleet management, purchasing and contracts, business systems applications, printing, accounting and human resources, which are central services provided to all state agencies. The Office of Financial Management will continue to handle policy, budget, forecasting and labor relations.

The Legislature also approved the creation of the Consolidated Technology Services agency to begin the merger of information technology services managed separately by state agencies.

During the current biennium, this reorganization of state government is expected to save $18.8 million and employ 83 fewer employees. Future savings will be realized through possible contracting out of certain services and implementation of actions to reduce or eliminate redundant activities.

Pension reform. Governor Gregoire proposed eliminating the automatic annual benefit increases to older pension plans, which have been closed to new members since 1977. While the Legislature approved the automatic increases in 1995 to protect against inflation, the increase itself was not linked to inflation. Without action, underfunding would cause employer pension contribution rates to double in the 2011-13 biennium and remain high for the next 20 years. This created an unfunded liability of $7 billion.

The Legislature approved the Governor's proposal to end future automatic benefit increases, which will reduce the unfunded liability in the closed plans by more than 50 percent. This saves taxpayers $344 million in the current budget and $7.6 billion over the next 25 years.

Debt reform. Washington's debt burden has grown steadily over the past two decades. During the 1989-91 biennium, the state's debt payments for general obligation bonds totaled less than $500 million - about 3.7 percent of General Fund spending. During the 2009-11 biennium, general obligation debt payments totaled nearly $1.8 billion - about 6 percent of General Fund spending.

Under a bipartisan agreement that Governor Gregoire helped broker, starting in fiscal year 2016, the State Finance Committee will gradually lower the state debt limit from 8.75 percent to 7.75 percent by fiscal year 2022. The committee may adjust the working debt limit due to extraordinary economic conditions, and is authorized to delay or reduce bond issuance to not exceed the recommended working debt limit.

The agreement also sets up a commission to examine the state's use of debt, make recommendations on debt policy and debt limitations, and determine whether a constitutional change is needed. The commission's report is due later this year.

EDUCATION

Early Learning. Washington has increased the number of children who can benefit from the state's preschool program for at-risk children. This early investment gives young children the skills they need to succeed in school and life. A new early learning assessment of developing skills will help early learning and kindergarten teachers to identify what help children need when they come to school. Through a public-private partnership, the state is expanding early learning support for our youngest children (up to 3 years old) through more home visitations.

Launch Year. The Legislature approved the Governor's "Launch Year" legislation, which addresses gaps in one of the key transition points of a student's academic journey. The legislation provides students certainty that the advanced coursework they take in high school will count toward the achievement of a technical certificate or academic degree.

Higher Education Funding Task Force. Lawmakers also took action on several recommendations from the Higher Education Funding Task Force, which the Governor appointed last year. The state will renew its commitment to higher education by providing for sustainable, long-term funding that links tuition and state support and gives higher education governing boards the ability to manage their institutions' budgets. Legislation also strengthens accountability and performance measures, and it creates an endowment to help low- and middle-income Washington students earn a bachelor's degree.

Department of Education. The Governor will continue her work with legislators and stakeholders to fashion a truly student-focused education system and introduce new legislation in 2012. Her goal is to build a unified strategic plan and governance structure that pull together planning, expertise and resources to create prioritized and coordinated learning opportunities.

The Governor proposed creating a state Department of Education to focus on student achievement by providing a seamless, state-level education system from early learning through career preparation and training. Authority now held by eight agencies with 14 major education plans would be consolidated in a single, cohesive, cabinet-level department.

HEALTH CARE AND HUMAN SERVICES

Health Insurance Exchange. With legislation requested by Governor Gregoire, Washington becomes one of the first states in the nation to implement a health insurance exchange in advance of the 2014 federal deadline. The Affordable Care Act requires a health insurance exchange to be established in each state, either by the federal government or the state. Exchanges are consumer-friendly marketplaces where individuals and small employers can shop for insurance coverage. Low-income residents will also be able to access subsidized coverage through the exchange.

Health Care Authority. Lawmakers approved Governor Gregoire's proposal to merge the state's two largest purchasers of health care: the Medicaid program and the Health Care Authority. Together, these agencies purchase health care for more than 1.6 million Washington residents. The power made possible through their combined leverage will align other state health care purchasing as well as facilitate coordination with other health care payers and providers to reform the health care system to benefit all consumers.

A key theme in the Governor's approach to high-quality care is evidence-based medicine - focusing on health care that is proven to work and eliminating the 30 percent of health care costs that studies show do not contribute to meaningful care. Washington was the first to establish a Health Technologies Assessment program, which now contributes more than $31 million in annual cost avoidance.

Licensing Adult Family Homes. The Governor proposed adopting a user-pay approach to help cover the cost of licensing and regulating the adult family home industry. Today, fees cover only 6 percent of those

costs - the rest is subsidized by the state. While the Governor proposed an almost entirely fee-supported system, the budget includes a fee structure that recovers 39 percent of the licensing and oversight costs in fiscal year 2012 and 60 percent in fiscal year 2013. Taxpayers will save $2.9 million in the current biennium and $3.6 million per biennium thereafter.

ECONOMIC DEVELOPMENT

Creating Jobs. Through the transportation and capital budgets, nearly 45,000 jobs will be created in Washington to help get people back to work.

Workers' Compensation. The Governor and the Legislature negotiated what will be the largest reform ever to the state's 100-year-old workers' compensation system. That system faced troubling trends that would lead to double-digit rate increases and seriously undermine its long-term viability. The reforms, which are projected to save the system about $900 million over the next four years, will get injured workers back on the job as quickly and safely as possible, prevent double-digit rate increases and protect the long-term financial integrity of the system.

Unemployment Insurance. The rates that businesses pay into the unemployment insurance trust fund are based on a set formula. Because of the high demand for benefits in a down economy, Washington businesses, on the cusp of recovery, were facing an average 36 percent increase in unemployment insurance rates. As Governor Gregoire requested, the first piece of legislation delivered to her desk this year was a rate reduction to help more than 65,000 small businesses avoid the costly increase. Those savings allow businesses to begin hiring and start growing. The rate reduction saves $300 million in the first year, with an additional $50 million expected in later years.

Tax Amnesty. In December 2010, at the Governor's request, the Legislature unanimously enacted the state's first-ever amnesty program for businesses that owe back taxes. Under the amnesty program, the state waived penalties and interest for qualifying businesses that paid agreed-upon taxes. The program helped businesses to quickly resolve old tax issues and provided the state with sorely needed revenue. During the three-month amnesty window, nearly 8,900 businesses paid $343 million in back taxes - $282 million to the state and $61 million to local governments.

ENVIRONMENT AND ENERGY

TransAlta. Taking a significant step to reduce harmful green-house gas emissions, Governor Gregoire signed legislation to phase out coal-fired energy production at the TransAlta power plant. The legislation solidifies into law a collaborative agreement to close TransAlta's two coal boilers, the first in 2020 and the second in 2025. The agreement provides a path to cleaner power while allowing the time necessary to provide stability to the electrical grid and to the community.

Oil Spill Response. Washington became the first in the nation to pass significant legislation addressing oil spill response when the Governor signed House Bill 1186. The legislation greatly advances protection of Washington's environment, economy and cultural resources from the impacts of a potential major oil spill — and ensures that Washington has the best tools and equipment to mount an aggressive, rapid and well-coordinated response in the event of a major spill in Puget Sound and other waters of our state.

State Parks Discover Pass. At the Governor's urging, the Legislature approved a new approach to funding state parks. Sales of the newly created Discover Pass, along with the current opt-out vehicle registration donation program, will fully replace General Fund support of the state parks system in four years. This shift in funding is projected to save $789 million over the next 10 years and preserve Washington's natural treasures.

TRANSPORTATION

Governor Gregoire signed a transportation budget that will invest $5.6 billion in more than 800 projects across the state. This budget reflects $20 million in savings from recently negotiated contracts with ferry employees and $4.1 million in savings in ferry system administrative costs.

Even with these reforms and savings, critical transportation needs remain unfunded as voter-approved transportation revenue packages end. The Governor formed the transportation advisory group "Connecting Washington" to develop a 10-year strategy for funding the state's transportation system. The group's recommendations will be ready for presentation to the Legislature and the public in 2012.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its CAFR for the fiscal year that ended June 30, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Washington State has received a Certificate of Achievement for the last twenty-four years. The Office of Financial Management considers this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each state agency and institution of higher education and the Office of Financial Management. This CAFR reflects the Governor's commitment to the Legislature, the citizens of Washington State, and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

/ s /

Marty Brown
Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL

President

Jeffrey R. Emer

Executive Director

Statewide Elected Officials

As of June 30, 2011

Governor
Christine Gregoire

Lieutenant Governor
Brad Owen

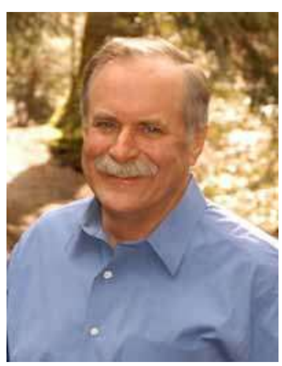
Secretary of State
Sam Reed

Treasurer
Jim McIntire

State Auditor
Brian Sonntag

Attorney General
Rob McKenna

Superintendent of Public Instruction
Randy Dorn



Commissioner of Public Lands
Peter J. Goldmark

Insurance Commissioner
Mike Kreidler

2011 Organization Chart

Washington State Government

Legislative Branch

Senate **House of Representatives**

- Joint Legislative Audit and Review Committee
- Joint Legislative Systems Committee
- Joint Transportation Committee
- Legislative Ethics Board
- Legislative Evaluation and Accountability Program Committee
- Office of the State Actuary
- Redistricting Commission *(activated decennially)*
- Statute Law Committee *(Code Reviser)*

Executive Branch

Judicial Branch

Supreme Court

- Administrative Office of the Courts
- Office of Civil Legal Aid
- Court of Appeals
- Commission on Judicial Conduct
- District Courts
- Law Library
- Municipal Courts
- Office of Public Defense
- Superior Courts
- Supreme Court

Agencies Managed by Statewide Elected Officials

Commissioner of Public Lands
- *Department of Natural Resources*
- *Forest Practices Board*

Insurance Commissioner

Treasurer
- *Public Deposit Protection Commission*
- *State Finance Committee*

Lieutenant Governor

Governor

Office of the Governor
- *Office of the Education Ombudsman*
- *Governor's Office of Indian Affairs*
- *Office of the Family and Children's Ombudsman*

Attorney General
- *Executive Ethics Board*

Superintendent of Public Instruction
- *Board of Education*
- *Professional Educator Standards Board*

Auditor

Secretary of State
- *Productivity Board*
- *State Library*

Agencies Led by Governor-Appointed Executives

Environment and Natural Resources
- Dept. of Agriculture *(commodity commissions)*
- Dept. of Ecology
- Pollution Liability Insurance Program
- Puget Sound Partnership
- Recreation and Conservation Office
  - *Salmon Recovery Funding Board*

General Government
- Board of Accountancy
- Office of Administrative Hearings
- Dept. of Archaeology and Historic Preservation
- Dept. of Financial Institutions
- Office of Financial Management
- Dept. of General Administration
  - *Building Code Council*
- Dept. of Information Systems
  - *Integrated Justice Information Board*
- Lottery Commission
- Military Department
- Dept. of Personnel
  - *Personnel Resources Board*
- Public Printer
- Dept. of Retirement Systems
- Dept. of Revenue

Transportation
- Dept. of Licensing *(occupational regulatory boards)*
- State Patrol
- Traffic Safety Commission
- Dept. of Transportation

Health and Human Services
- Dept. of Corrections
- Dept. of Employment Security
- Dept. of Health *(occupational regulatory boards)*
- Health Care Authority
  - *Public Employees Benefits Board*
- Dept. of Labor and Industries
- Council for Children and Families
- Dept. of Services for the Blind
- Dept. of Social and Health Services
- Dept. of Veterans Affairs

Education
- Center for Childhood Deafness and Hearing Loss
  - *Board of Trustees*
- Dept. of Early Learning
- School for the Blind
- Workforce Training and Education Coordinating Board

Community and Economic Development
- Commission on African-American Affairs
- Arts Commission
- Commission on Asian Pacific American Affairs
- Dept. of Commerce
  - *Economic Development Commission*
  - *Energy Facility Site Evaluation Council*
  - *Public Works Board*
- Commission on Hispanic Affairs
- Office of Minority and Women's Business Enterprises

Agencies Under Authority of a Board

Environment and Natural Resources
- Columbia River Gorge Commission
- Conservation Commission
- Environmental Hearings Office
  - *Pollution Control Hearings Board*
  - *Shorelines Hearings Board*
- Fish and Wildlife Commission
- Growth Management Hearings Board
- Board of Natural Resources
- Parks and Recreation Commission
- Washington Materials Management and Financing Authority

General Government
- Caseload Forecast Council
- Citizens' Commission on Salaries for Elected Officials
- Economic and Revenue Forecast Council
- Gambling Commission
- Horse Racing Commission
- Investment Board
- Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement System Board
- Liquor Control Board
- Pension Funding Council
- Public Disclosure Commission
- Public Employment Relations Commission
- Board of Tax Appeals
- Utilities and Transportation Commission
- Board for Volunteer Firefighters and Reserve Officers

Transportation
- County Road Administration Board
- Freight Mobility Strategic Investment Board
- Marine Employees' Commission
- Board of Pilotage Commissioners
- Transportation Improvement Board
- Transportation Commission

Health and Human Services
- Criminal Justice Training Commission
- Board of Health
- Health Care Facilities Authority
- Human Rights Commission
- Indeterminate Sentence Review Board
- Board of Industrial Insurance Appeals
- Sentencing Guidelines Commission
- Tobacco Settlement Authority

Education
- State Board for Community and Technical Colleges
- Eastern Washington State Historical Society
- Governing Boards of Four-Year Institutions of Higher Education
  - *University of Washington*
  - *Washington State University*
  - *Central Washington University*
  - *Eastern Washington University*
  - *Western Washington University*
  - *The Evergreen State College*
- Higher Education Coordinating Board
- Higher Education Facilities Authority
- Spokane Intercollegiate Research and Technology Institute
- Boards of Trustees
  - *Community Colleges*
  - *Technical Colleges*
- Washington State Historical Society

Community and Economic Development
- Convention and Trade Center
- Economic Development Finance Authority
- Housing Finance Commission
- Life Sciences Discovery Fund Authority

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APRIL 2011

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FINANCIAL SECTION

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Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 22, 2011

The Honorable Christine Gregoire
Governor, State of Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Washington's Lottery, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net assets, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Assets	Percent of Total Revenues/ Additions
Governmental Activities	12.1%	21.3%	8.8%
Business-Type Activities	79.2%	100%	29.2%
Higher Education Special Revenue Fund	47.9%	48.5%	47.6%
Higher Education Endowment Fund	90.7%	95.9%	90.7%
Higher Education Student Services Fund	68.8%	73.3%	82.5%
Workers' Compensation Fund	86.4%	100%	32.4%
Other Activities Fund	56.1%	100%	74.0%
Aggregate Discretely Presented Component Units and Remaining Fund Information	91.4%	94.5%	78.7%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities and funds are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Department of Retirement Systems, Washington's Lottery, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

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financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $24.9 billion which comprise 26.7% of total assets and 30.3% of net assets of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners.

As described in Note 2, during the year ended June 30, 2011, the State implemented Governmental Accounting Standards Board *Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions* and *Statement No. 59 – Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Washington's basic financial statements. The information listed in the table of contents as combining and individual fund financial statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information listed in the table of contents as the introductory and statistical sections is not a required part of the basic financial statements but is supplementary information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MD&A

Management's Discussion and Analysis

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MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets of the state of Washington exceeded its liabilities by $19.0 billion (reported as net assets). Of this amount, $(8.5) billion was reported as "unrestricted (deficit) net assets." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $10.6 billion, an increase of 0.1 percent compared with the prior year.

- The General Fund reported unassigned fund balance (deficit) of $(107.8) million, at the end of fiscal year 2011, or 0.4 percent of total General Fund expenditures.

- The state's capital assets increased by $1.4 billion while total bond debt increased by $488 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the state of Washington's finances, in a manner similar to a private sector business.

Statement of Net Assets. The *Statement of Net Assets* presents information on all of the state of Washington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

Statement of Activities. The *Statement of Activities* presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type, and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections, and general government.

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, as well as Washington's lottery, liquor control, and various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 37-39 of this report.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for four major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 42-45 of this report.

Proprietary Funds. The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool, central stores, data processing services, risk management, employee health insurance, and printing services. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for the Workers' Compensation Fund, Unemployment Compensation Fund, the Higher Education Student Services Fund, and the Other Activities Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 46-53 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 54-55 of this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state, or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports one major component unit, the Washington State Public Stadium Authority, and four nonmajor component units.

Refer to Note 1 on pages 61-62 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 56-57 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-154 of this report.

OTHER REQUIRED INFORMATION

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plans and other post-employment benefits, funding progress, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 155-179 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 181-241 of this report.

STATE OF WASHINGTON

Statement of Net Assets

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	$ 17,210	$ 16,915	$ 23,249	$ 22,080	$ 40,459	$ 38,995
Capital assets	32,960	31,247	1,947	2,254	34,907	33,501
Total assets	50,170	48,162	25,196	24,334	75,366	72,496
LIABILITIES						
Current and other liabilities	3,900	3,730	3,109	3,421	7,009	7,151
Long-term liabilities outstanding	21,540	21,234	27,832	27,934	49,372	49,168
Total liabilities	25,440	24,964	30,941	31,355	56,381	56,319
NET ASSETS						
Invested in capital assets, net of related debt	18,723	18,201	718	913	19,441	19,114
Restricted	4,847	5,214	3,199	2,930	8,046	8,144
Unrestricted (deficit)	1,160	(217)	(9,662)	(10,864)	(8,502)	(11,081)
Total net assets	$ 24,730	$ 23,198	$ (5,745)	$ (7,021)	$ 18,985	$ 16,177

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets exceed liabilities by $19.0 billion at June 30, 2011 as compared to $16.2 billion as reported at June 30, 2010.

The largest portion of the state's net assets (102.4 percent for fiscal year 2011 as compared to 118.2 percent for fiscal year 2010) reflects its investment in capital assets (e.g., land, buildings, equipment and intangible assets), less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net assets (42.4 percent for fiscal year 2011 as compared to 50.3 percent for fiscal year 2010) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(8.5) billion represents unrestricted (deficit) net assets. The state's overall negative balance is caused by deficits in both governmental and business-type activities.

In governmental activities, unrestricted net assets improved from $(217) million deficit in fiscal year 2010 to $1.2 billion in fiscal year 2011. The improvement was a

combination a modest increase in revenues, and the state's ability to curtail spending in response to revenue shortfalls.

In business-type activities, the majority of the deficit is caused by the workers' compensation program that provides time-loss, medical, disability and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities.

The main benefit plans of the workers' compensation program are funded on rates that will keep the plans solvent in accordance with recognized actuarial principles.

The supplemental pension cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while business-type activities are supported primarily through user charges.

STATE OF WASHINGTON

Changes in Net Assets

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	$ 4,902	$ 4,584	$ 6,466	$ 5,987	$ 11,368	$ 10,571
Operating grants and contributions	12,609	12,193	2,305	2,468	14,914	14,661
Capital grants and contributions	833	939	13	-	846	939
General revenues:						
Taxes	16,166	14,982	174	160	16,340	15,142
Interest and investment earnings (loss)	474	449	1,611	1,743	2,085	2,192
Total Revenues	34,984	33,147	10,569	10,358	45,553	43,505
EXPENSES						
General government	(1,674)	(1,738)	-	-	(1,674)	(1,738)
Education - K-12	(8,055)	(8,468)	-	-	(8,055)	(8,468)
Education - Higher education	(6,257)	(6,051)	-	-	(6,257)	(6,051)
Human services	(13,364)	(12,946)	-	-	(13,364)	(12,946)
Adult corrections	(935)	(938)	-	-	(935)	(938)
Natural resources and recreation	(996)	(1,084)	-	-	(996)	(1,084)
Transportation	(1,981)	(2,073)	-	-	(1,981)	(2,073)
Interest on long-term debt	(882)	(810)	-	-	(882)	(810)
Workers' compensation		-	(1,219)	(4,268)	(1,219)	(4,268)
Unemployment compensation		-	(3,690)	(4,729)	(3,690)	(4,729)
Higher education student services		-	(1,820)	(1,628)	(1,820)	(1,628)
Liquor control		-	(556)	(552)	(556)	(552)
Washington's lottery		-	(393)	(389)	(393)	(389)
Other business-type activities		-	(784)	(345)	(784)	(345)
Total Expenses	(34,144)	(34,108)	(8,462)	(11,911)	(42,606)	(46,019)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	840	(961)	2,107	(1,553)	2,947	(2,514)
Contributions to endowments	69	52	-	-	69	52
Transfers	231	252	(231)	(252)	-	-
Special item	-	-	(223)	-	(223)	-
Increase (decrease) in net assets	1,140	(657)	1,653	(1,805)	2,793	(2,462)
Net assets - July 1, as restated	23,590	23,855	(7,398)	(5,216)	16,192	18,639
Net assets - June 30	$ 24,730	$ 23,198	$ (5,745)	$ (7,021)	$ 18,985	$ 16,177

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net assets of $1.1 billion. A number of factors contributed to the increase:

- Tax revenues increased by $1.2 billion in fiscal year 2011 as compared to fiscal year 2010 reflecting sluggish positive growth in the economy. Sales and use taxes reported an increase of $478 million. Sales and use taxes are the main tax revenue for governmental activities. The increase in sales tax is attributable to both a slight increase in taxable sales in fiscal year 2011 and a tax penalty amnesty program in the spring of 2011. Business and occupation tax, the second largest source of tax revenue in governmental activities, increased by $480 million in fiscal year 2011 over 2010. It is a tax on the gross receipts of all businesses operating in Washington. Growth in business and occupation tax revenue in fiscal year 2011 was mainly due to an increase in the tax rate on services which increased from 1.5 percent to 1.8 percent. Business and occupation tax collections were also aided by the tax penalty amnesty program and other legislative changes.

- Operating and capital grants and contributions increased $310 million in fiscal year 2011 as compared to fiscal year 2010. While American Recovery and Reinvestment Act (ARRA) grants contributed $1.6 billion in fiscal year 2011, it was a decrease of $615 million from the level contributed in fiscal year 2010. Offsetting the decrease in ARRA grants were increases in non-ARRA student financial assistance and supplemental nutrition assistance grants.

- Expenses grew slightly in fiscal year 2011 as compared to fiscal year 2010. The expenses for human services and education comprised 81.1 percent of the total expenses for governmental activities which is fairly consistent with the 80.5 percent in fiscal year 2010. Human services accounted for the majority of the growth in expenses increasing by $418 million or 3.2 percent in fiscal year 2011 over fiscal year 2010 reflecting the increased number of citizens seeking assistance from state programs and services due to the economic recession.

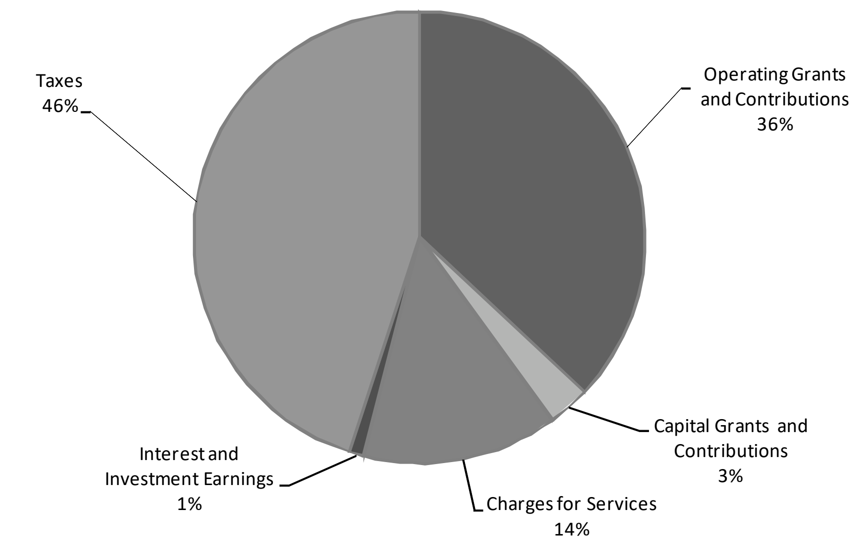
Business-Type Activities. Business-type activities increased the state of Washington's net assets by $1.7 billion which included increases in both the workers' compensation and unemployment compensation activities. Key factors contributing to the operating results of business-type activities are:

- The increase in net assets in the workers' compensation activity in fiscal year 2011 was $1.8 billion after a decrease of $1.0 billion in fiscal year 2010. A number of factors contributed to the turn around. Premium revenue increased by $256 million as a result of a January 2011 premium rate increase that averaged 12 percent and a slight increase in reported hours worked. Claims costs decreased by $3.1 billion in fiscal year 2011 compared with fiscal year 2010 in large part due to workers' compensation reform legislation. Substitute Senate Bill 5801 and Engrossed House Bill 2123 provided for: (1) the implementation of a single statewide network of health care providers to treat injured workers and expansion of the Centers of Occupational Health and Education, which increases the use of occupational health best practices in treating injured workers; (2) a structured settlement option for injured workers who are age 55 by January 1, 2012; and (3) a one year cost of living adjustment freeze and a one year delay for first-time COLA during fiscal year 2012. Other factors contributing to the decline in claims costs included the use of generic drugs and the low wage rate growth. Nonoperating investment income decreased by $457 million due to lower returns on fixed income securities.

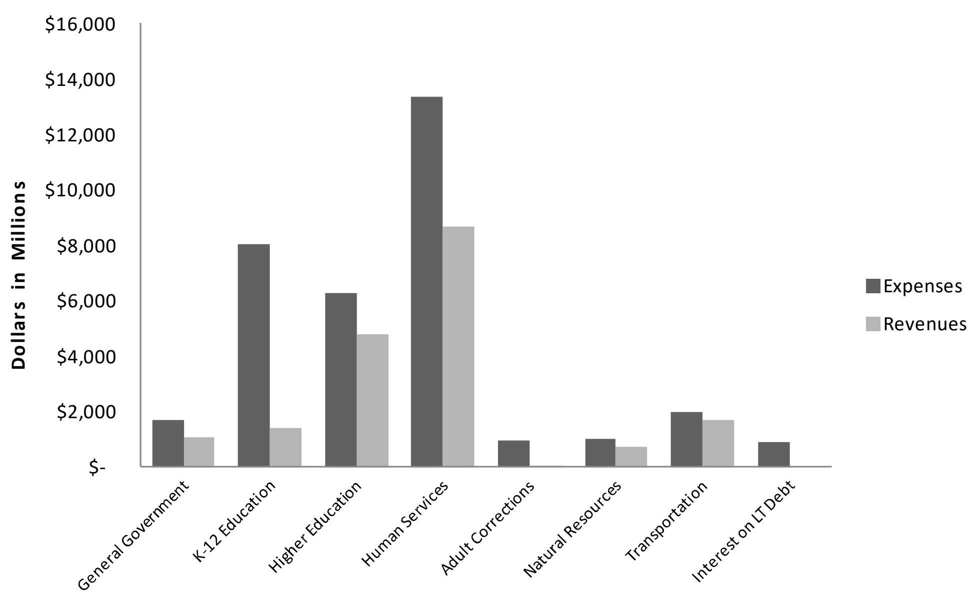
- The unemployment compensation activity reported operating income in fiscal year 2011 of $171 million, compared to a $985 million operating loss in fiscal year 2010. Washington's unemployment insurance program is an experience-based system. Due to the recession, Washington has seen a rise in the number of unemployed starting in 2009. The rise in unemployment has resulted in increased premium charges to employers. Additionally, the taxable wage base increased to $37,300 in 2011 from $36,800 in 2010. Unemployment insurance benefits declined by $1.0 billion in fiscal year 2011 over fiscal year 2010. The decrease in benefit costs was the result of a decline in the number of claims and the duration of claims. While the annualized unemployment rate for the state was 9.3 percent in fiscal year 2011, up from 8.7 percent in fiscal year 2010, the insured rate declined to 3 percent in fiscal year 2011 from 3.75 percent in fiscal year 2010.

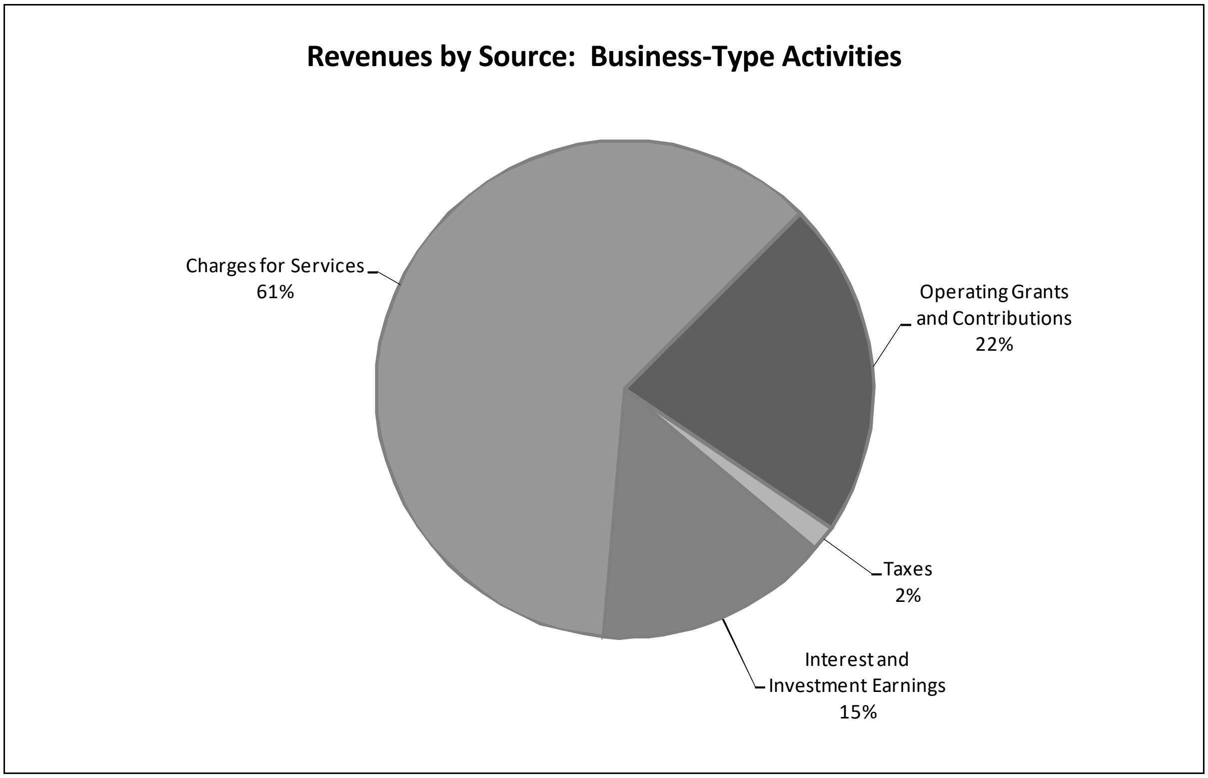
- The higher education student services activity reported relatively proportional increases in both expenses and charges for services when compared to the prior year. Additionally, both liquor control and Washington's lottery activities reported operating revenues and expenses consistent with the prior year.

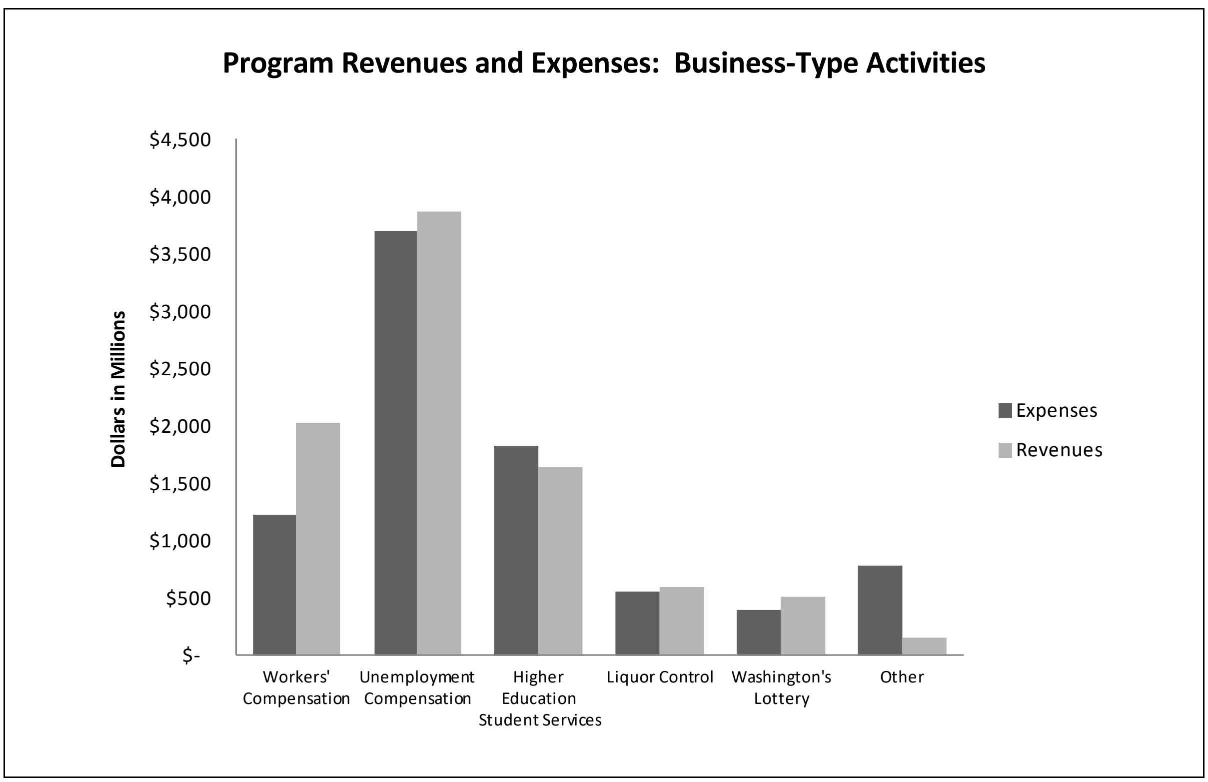
Revenues by Source: Governmental Activities



Program Revenues and Expenses: Governmental Activities




Revenues by Source: Business-Type Activities
Charges for Services
61%
Operating Grants
and Contributions
22%
Taxes
2%
Interest and
Investment Earnings
15%


Program Revenues and Expenses: Business-Type Activities
Dollars in Millions
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$-
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Liquor Control
Washington's Lottery
Other
Expenses
Revenues

Financial Analysis of the Government's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and fund balances. Such information is useful in assessing the state of Washington's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Adjustments to Beginning Fund Balances. As described in Note 2 to the financial statements on pages 70 and 71, beginning fund balances of governmental funds were adjusted. To enhance comparability, all amounts presented for fiscal year 2010 in this discussion and analysis were revised, where applicable, to reflect these changes as if the changes had been made in the prior year.

- Net reclassification of $253.9 million from the Nonmajor Governmental Funds to the General Fund related to the implementation of Governmental Accounting Standards Board Statement Number 54.

- Reclassification of the Motor Vehicle Fund from a major fund to a nonmajor governmental fund because it fell below the major fund threshold.

Fund Balances. At June 30, 2011, the state's governmental funds reported combined ending fund balances of $10.6 billion. Of this amount, $3.75 billion or 35.6 percent is nonspendable, either due to its form or legal constraints, and $3.81 billion or 36.1 percent is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $2.15 billion or 20.4 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $1.11 billion or 10.6 percent of total fund balance has been assigned to specific purposes by management. The remaining $(282) million or (2.7) percent of fund balance is unassigned.

The General Fund is the chief operating fund of the state of Washington. At the end of fiscal year 2011, total fund balance for the General Fund equaled $1.2 billion, an increase of $585.6 million over fiscal year 2010. Assigned fund balance included $1.1 billion in fiscal year 2011 which is assigned for working capital purposes. This amount relates to certain accrued revenues which are not considered by management to be available for budgetary purposes.

The unassigned fund balance deficit of $(107.8) million in the General Fund indicates that the state has overspent funds available for discretionary purposes. The deficit fund balance in fiscal year 2011 reflects improvement over the $(561) million deficit in fiscal year 2010. The back to back deficits are due to the recessionary economic conditions which have adversely impacted state revenues.

STATE OF WASHINGTON
General Fund
(in millions of dollars)

	Fiscal Year		Difference
	2011	2010	Increase (Decrease)
REVENUES			
Taxes	$ 14,423	$ 13,169	$ 1,254
Federal grants	9,597	9,648	(51)
Investment revenue (loss)	(15)	(7)	(8)
Other	645	563	82
Total	24,650	23,373	1,277
EXPENDITURES			
Human services	13,473	13,238	235
Education	9,211	9,491	(280)
Other	1,519	1,632	(113)
Total	24,203	24,361	(158)
Net transfers in (out)	(215)	(7)	(208)
Other financing sources	354	137	217
Net increase (decrease) in fund balance	$ 586	$ (858)	$ 1,444

Expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education. In fiscal year 2011, the General Fund received $1.2 billion in American Recovery and Reinvestment Act down from $1.7 billion in fiscal year 2010. The majority of the ARRA funding in the General Fund was for human services programs.

In addition to the General Fund, the state reports the Higher Education Special Revenue, and the Higher Education Endowment Funds as major governmental funds.

The fund balance of the Higher Education Special Revenue Fund increased by $107 million in fiscal year 2011. Increases in tuition and federal grant revenues offset the increased costs of higher education activities.

The fund balance for the Higher Education Endowment Fund increased by $364 million. Support from donors increased by $17 million over the prior year and investment earnings increased by $89 million over the same period. The increase in donor support comes after four straight years of decreases and reflects slowly improving economic conditions.

Proprietary Funds. The state of Washington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

- The Workers' Compensation Fund reported an increase in net assets of $1.8 billion in fiscal year 2011. Operating revenues increased by $264 million and operating expenses decreased by $3.0 billion as compared to fiscal year 2010. As noted previously, operating revenues increased due to an increase in premium rates and claims expense decreased in large part due to workers' compensation reform legislation. Investment income decreased as compared to fiscal year 2010 due to lower returns on fixed income securities.

- Washington's Unemployment Compensation Fund reported operating income of $171 million. The increase in premium revenue of $304 million in fiscal year 2011 over 2010 was partially offset by a decrease in federal aid of $167 million over the same period. Unemployment benefit claims decreased by $1.0 billion in fiscal year 2011 as compared to 2010. As reported previously, while the unemployment rate in Washington remains high, the insured rate declined in fiscal year 2011.

- The Other Activities Fund was presented as a major proprietary fund for the first time in fiscal year 2011. The major activity in the Other Activities Fund is the state's guaranteed education tuition (GET) program.

  The GET program reported a net loss of $311 million in fiscal year 2011. While the program continues to attract new enrollments and investment returns are up, tuition rates have been escalating much higher than assumed in prior valuations. Tuition rates for the 2011-2012 school year increased by 19.0 percent exceeding the 7.5 percent assumed in the prior valuation. Tuition growth assumptions have been increased for future years.

- The state's Convention and Trade Center (CTC) which was reported as a nonmajor enterprise fund in prior years, was transferred to a public facilities district (PFD) in fiscal year 2011. The transfer agreement with the PFD required the PFD to provide the state with funds to retire the state's existing debt on the CTC. The transfer resulted in a net loss to the state of $223 million which is reported as a special item.

- The Higher Education Student Services and other nonmajor enterprise funds reported activity generally consistent with prior years.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect adjustments related to changes in the state's economy during the biennium ended June 30, 2011. While there were no significant increases or decreases, changes to estimates are summarized as follows:

- Estimated resources increased by $1.1 billion over the course of the biennium. A decrease of $1.9 billion was reported for taxes reflecting the continued sluggish economy. The decrease in estimated tax revenue was offset by increases to federal grants-in-aid of $1.8 billion and transfers from other funds of $940 million.

- Appropriated expenditure authority increased by $1.8 billion over the course of the biennium ended June 30, 2011. Increases were recorded in human services, education and transfers to other funds of $856 million, $204 million, and $523 million, respectively. The largest decrease was in transportation of $5 million.

The state did not overspend its legal spending authority for the 2009-2011 Biennium. Actual General Fund revenues and expenditures were 96.9 and 96.8 percent of final budgeted revenues and appropriations, respectively, for the 2009-2011 biennium.

Capital Assets, Infrastructure, Bond Debt Administration, and Economic Factors

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled $34.9 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangibles, as well as construction in progress.

Washington's fiscal year 2011 investment in capital assets, net of current year depreciation, was $1.4 billion, including increases to the state's transportation infrastructure of $1.3 billion. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total $9.1 billion.

The land, buildings, furnishings and equipment (net of accumulated depreciation) of the Convention and Trade Center (CTC) which totaled $410 million were removed from the state records when the CTC was transferred to a public facilities district.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 98 of this report.

Infrastructure. The state of Washington first reported infrastructure under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 in fiscal year 2002. Transportation infrastructure reported includes the state highway system, state managed airports, and two short rail lines. While the rail lines are reported net of depreciation, the state highway system and state managed airports are reported using the modified approach. Under the modified approach, rather than recording depreciation, asset condition is reported.

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 1,331	$ 1,179	$ 65	$ 143	$ 1,396	$ 1,322
Transportation infrastructure and other assets not depreciated	21,092	19,758	-	-	21,092	19,758
Buildings	7,080	6,926	1,363	1,671	8,443	8,597
Furnishings, equipment and intangible assets	1,368	1,362	144	142	1,512	1,504
Other improvements and infrastructure	1,119	1,157	82	87	1,201	1,244
Construction in progress	970	865	293	211	1,263	1,076
Total	$ 32,960	$ 31,247	$ 1,947	$ 2,254	$ 34,907	$ 33,501

The condition of these assets, along with the rating scales for pavement, bridges, rest areas, and airports, and additional detail comparing planned-to-actual preservation and maintenance spending are available in the required supplementary information beginning on page 171.

The state highway system capital investment in fiscal year 2011 was a net of $1.3 billion to add additional lane miles, replace and build new bridges and highway structures, improve highway safety, increase mobility and extend the life of existing infrastructure. As part of this highway improvement investment, the Washington State Department of Transportation (WSDOT) accomplished a net addition of 89 lane miles and 21 bridges and other highway structures in fiscal year 2011. Amounts spent during fiscal year 2011 to maintain and preserve these infrastructure assets were not significantly different from estimated spending plans according to the biennial budget.

The state highway system, bridges, and state managed airports continue to meet established condition levels. No significant changes in condition levels were noted for pavements or airports. Bridge assessments in fiscal year 2011 included a third condition measurement related to deck surface and resulted in an additional 2.5 percent of bridges in poor condition. Detailed information about targeted and actual condition levels for roads, bridges, rest areas, and airports can be found in the required supplementary information section of this report.

The safety of bridge structures is ensured through meticulous inspections and rating of the primary components of bridges by the WSDOT Bridge

Preservation Office or local agency staff. The condition of all bridge decks, superstructures and substructures are rated based on these inspections.

The WSDOT's planned highway infrastructure projects for the next four years, fiscal years 2012 through 2015, would commit approximately $6.8 billion for 387 projects. These projects are either already in progress or are expected to commence within the next four years.

Bond Debt. At the end of fiscal year 2011, the state of Washington had general obligation bond debt outstanding of $16.8 billion, relatively unchanged from fiscal year 2010. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $9.6 billion general obligation debt that remains unissued.

During fiscal year 2011, the state issued general obligation debt, totaling $2.1 billion, for various capital and transportation projects as well as to refund outstanding bones. Bonds totaling $1.9 billion were retired during the year which included $34.0 million in Convention and Trade Center (CTC) bonds that were refunded when the assets and activities of the CTC were transferred by the state to a public facilities district. Washington's refunding activity produced a savings of $155.9 million in future debt service costs.

General obligation debt is subject to the constitutional limitation as prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2011, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 9 percent of the arithmetic mean of its general state revenues for the three immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2008, 2009, and 2010 is $12.2 billion. The debt service limitation, 9 percent of this mean, is $1.1 billion. The state's maximum annual debt service as of June 30, 2011, subject to the constitutional debt limitation is $995 million, or $101 million less than the debt service limitation.

For further information on the debt limit, refer to the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer or at: http://www.tre.wa.gov/documents/debt_cdl2011.pdf.

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness.

The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairman.

As of June 30, 2011, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON
Bond Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation (GO) bonds	$ 16,750	$ 16,540	$ 18	$ 60	$ 16,768	$ 16,600
Accreted interest on zero interest rate GO bonds	393	367	-	42	393	409
Revenue bonds	740	743	1,423	1,084	2,163	1,827
Total	$ 17,883	$ 17,650	$ 1,441	$ 1,186	$ 19,324	$ 18,836

The state had revenue debt outstanding at June 30, 2011, of $2.2 billion, an increase of $336 million over fiscal year 2010. This increase is related to revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington who issues general revenue bonds that are payable from general revenues of the university.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 102 of this report.

Additional information on the state's legal debt limit is presented in the statistical section on page 266 of this report.

Conditions with Expected Future Impact

Economic Outlook. The forecast for Washington for fiscal year 2012 is for continued slow recovery from the recession. That said, in the coming year, legislative leaders and management will be facing a number of challenges.

- Consumer confidence remains low.
- The state's economy will continue to be adversely impacted by the uncertainty plaguing the global economy.
- The November 2011 state's revenue forecast of General Fund state revenue increased the projected revenue shortfall for the 2011 – 2013 biennium to $1.6 billion.

In light of negative revenue projections in both the June and September forecasts, Governor Gregoire announced that she will call legislators in for a special session beginning November 28, 2011, to address the state's budget. On October 27, 2011, Governor Gregoire presented a list of budget reduction alternatives as a starting point to the conversation lawmakers must engage in to resolve the state's budget deficit.

Rainy Day Account. In November 2007, Washington State voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the state's Constitution and establishing the Budget Stabilization Account (BSA). The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

On June 30, 2011, $129 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. Also during fiscal year 2011, Engrossed Substitute House Bill 1086 authorized the transfer of $223 million from the BSA to the General Fund.

The BSA has a fund balance of $564 thousand as of June 30, 2011.

General Election. There were measures on the state's November 8, 2011, general election ballot that addressed state laws related to state expenditures on transportation, requirements for long-term care workers and providers, and the distribution and sale of wine and spirits. These measures, if passed, could impact the state fiscally. Election results are not final or official until certified. By law December 8, 2011, is the last day for the Office of the Secretary of State to certify General Election returns. Information is posted as available on the Secretary of State's website at: http://www.sos.wa.gov.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Statewide Accounting, P.O. Box 43113, Olympia, WA 98504-3113.

Basic Financial Statements

Government-wide Financial Statements

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Statement of Net Assets

June 30, 2011

(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and pooled investments	$ 4,192,162	$ 6,062,493	$ 10,254,655	$ 78,720
Taxes receivable (net of allowance)	3,043,494	10,514	3,054,008	-
Other receivables (net of allowance)	1,222,946	1,492,462	2,715,408	2,062
Internal balances (net)	159,895	(159,895)	-	-
Due from other governments	3,841,826	183,094	4,024,920	-
Inventories	89,938	98,122	188,060	-
Investments, noncurrent	4,277,739	14,910,710	19,188,449	16,138
Other assets	97,741	366,838	464,579	87,560
Restricted assets:				
Cash and pooled investments	243,934	284,630	528,564	-
Receivables	40,446		40,446	-
Capital assets (Note 6):				
Non-depreciable assets	23,392,880	358,129	23,751,009	34,677
Depreciable assets, net of depreciation	9,567,210	1,589,116	11,156,326	322,866
Total capital assets, net of depreciation	32,960,090	1,947,245	34,907,335	357,543
Total Assets	$ 50,170,211	$ 25,196,213	$ 75,366,424	$ 542,023
LIABILITIES				
Accounts payable	$ 1,559,577	$ 113,036	$ 1,672,613	$ 54,936
Contracts and retainage payable	198,422	17,177	215,599	3,141
Accrued liabilities	658,472	234,262	892,734	3,895
Obligations under security lending agreements	223,779	2,579,797	2,803,576	-
Due to other governments	960,692	122,868	1,083,560	-
Unearned revenue	299,337	41,733	341,070	5,189
Long-term liabilities (Note 7):				
Due within one year	1,311,879	2,163,282	3,475,161	-
Due in more than one year	20,228,250	25,669,118	45,897,368	20,750
Total Liabilities	25,440,408	30,941,273	56,381,681	87,911
NET ASSETS				
Invested in capital assets, net of related debt	18,723,038	717,778	19,440,816	331,840
Restricted for:				
Unemployment compensation	-	3,199,137	3,199,137	-
Higher education	1,020,304	-	1,020,304	-
Expendable endowment funds	1,553,252	-	1,553,252	-
Nonexpendable permanent endowments	1,700,603	-	1,700,603	-
Transportation	315,447	-	315,447	-
Loan programs	242,751		242,751	-
Other purposes	14,067	-	14,067	20,108
Unrestricted (deficit)	1,160,341	(9,661,975)	(8,501,634)	102,164
Total Net Assets (Deficit)	$ 24,729,803	$ (5,745,060)	$ 18,984,743	$ 454,112

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,674,061	$ 645,269	$ 403,541	$ 344
Education - elementary and secondary (K-12)	8,054,781	16,493	1,386,388	-
Education - higher education	6,257,439	2,379,335	2,349,362	48,596
Human services	13,363,482	461,623	8,216,895	1,710
Adult corrections	935,264	7,270	2,264	-
Natural resources and recreation	996,349	478,059	171,079	51,270
Transportation	1,980,584	914,343	79,372	730,939
Interest on long-term debt	881,961	-	-	-
Total Governmental Activities	34,143,921	4,902,392	12,608,901	832,859
Business-Type Activities:				
Workers' compensation	1,219,310	2,018,981	9,165	-
Unemployment compensation	3,690,343	1,573,368	2,288,291	-
Higher education student services	1,819,520	1,614,592	7,367	13,227
Liquor control	556,212	595,690	41	-
Washington's lottery	393,227	510,619	-	-
Other	784,306	152,061	-	-
Total Business-Type Activities	8,462,918	6,465,311	2,304,864	13,227
Total Primary Government	$ 42,606,839	$ 11,367,703	$ 14,913,765	$ 846,086
COMPONENT UNITS	$ 130,380	$ 16,739	$ 105,081	$ 1,023
Total Component Units	$ 130,380	$ 16,739	$ 105,081	$ 1,023

General Revenues:

Taxes, net of related credits:

Sales and use

Business and occupation

Property

Motor vehicle and fuel

Excise

Cigarette and tobacco

Public utilities

Insurance premium

Other

Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before contributions to endowments, transfers and special item

Contributions to endowments

Transfers

Special item - Transfer of Convention and Trade Center to another government

Change in Net Assets

Net Assets (Deficit) - Beginning, as restated

Net Assets (Deficit) - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (624,907)	$ -	$ (624,907)	
(6,651,900)	-	(6,651,900)	
(1,480,146)	-	(1,480,146)	
(4,683,254)	-	(4,683,254)	
(925,730)	-	(925,730)	
(295,941)	-	(295,941)	
(255,930)	-	(255,930)	
(881,961)	-	(881,961)	
(15,799,769)	-	(15,799,769)	
-	808,836	808,836	
-	171,316	171,316	
-	(184,334)	(184,334)	
-	39,519	39,519	
-	117,392	117,392	
-	(632,245)	(632,245)	
-	320,484	320,484	
(15,799,769)	320,484	(15,479,285)	
			$ (7,537)
			(7,537)
7,349,216	-	7,349,216	-
3,076,917	-	3,076,917	-
1,857,837	-	1,857,837	-
1,205,859	-	1,205,859	-
442,015	35,310	477,325	-
493,755	-	493,755	-
445,985	-	445,985	-
413,097	-	413,097	-
880,236	139,029	1,019,265	-
474,223	1,611,271	2,085,494	1,552
16,639,140	1,785,610	18,424,750	1,552
839,371	2,106,094	2,945,465	(5,985)
69,436	-	69,436	-
230,732	(230,732)	-	-
-	(222,794)	(222,794)	-
1,139,539	1,652,568	2,792,107	(5,985)
23,590,264	(7,397,628)	16,192,636	460,097
$ 24,729,803	$ (5,745,060)	$ 18,984,743	$ 454,112

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2011
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	$ 30,417	$ 370,496	$ 316,809	$ 2,572,010	$ 3,289,732
Investments	-	1,150,922	3,043,187	240,061	4,434,170
Taxes receivable (net of allowance)	2,909,152	21,795	-	112,547	3,043,494
Other receivables (net of allowance)	159,463	384,430	27,075	713,649	1,284,617
Due from other funds	175,013	319,730	122	581,747	1,076,612
Due from other governments	1,160,118	155,035	42	2,282,541	3,597,736
Inventories and prepaids	13,981	14,066	-	47,323	75,370
Restricted assets:					
Cash and pooled investments	28,302	-	-	215,632	243,934
Receivables	3,212	27,796	-	-	31,008
Total Assets	$ 4,479,658	$ 2,444,270	$ 3,387,235	$ 6,765,510	$ 17,076,673
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 939,027	$ 70,206	$ 28,528	$ 414,956	$ 1,452,717
Contracts and retainages payable	34,039	3,313	2,078	117,276	156,706
Accrued liabilities	160,621	249,340	9,926	59,561	479,448
Obligations under security lending agreements	-	-	176,616	47,163	223,779
Due to other funds	183,362	92,291	3,506	611,802	890,961
Due to other governments	565,615	18,367	-	166,579	750,561
Deferred revenue	1,369,593	190,551	8,304	985,757	2,554,205
Claims and judgments payable	9,200	-	-	8,028	17,228
Total Liabilities	3,261,457	624,068	228,958	2,411,122	6,525,605
Fund Balances:					
Nonspendable fund balance	89,916	157,849	1,577,691	1,928,654	3,754,110
Restricted fund balance	23,273	744,826	1,580,586	1,465,165	3,813,850
Committed fund balance	98,077	917,527	-	1,134,996	2,150,600
Assigned fund balance	1,114,699	-	-	45	1,114,744
Unassigned fund balance	(107,764)	-	-	(174,472)	(282,236)
Total Fund Balances	1,218,201	1,820,202	3,158,277	4,354,388	10,551,068
Total Liabilities and Fund Balances	$ 4,479,658	$ 2,444,270	$ 3,387,235	$ 6,765,510	$ 17,076,673

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet
to the Statement of Net Assets
GOVERNMENTAL FUNDS

June 30, 2011
(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 10,551,068
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 23,355,789	
Depreciable assets	15,928,569	
Less: Accumulated depreciation	(6,781,461)	
Total capital assets		32,502,897
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		2,256,097
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.		10,700
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(363,498)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(39,519)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and other financing contracts payable	$ (17,748,170)	
Accreted interest on bonds	(393,181)	
Compensated absences	(502,199)	
Other postemployment benefits obligations	(921,841)	
Unfunded pension obligations	(234,320)	
Claims and judgments	(36,303)	
Pollution remediation obligations	(168,219)	
Other obligations	(183,709)	
Total long-term liabilities		(20,187,942)
Net Assets of Governmental Activities		$ 24,729,803

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 7,274,926	$ -	$ -	$ 74,290	$ 7,349,216
Business and occupation taxes	3,072,245	-	-	4,672	3,076,917
Property taxes	1,857,837	-	-	-	1,857,837
Excise taxes	414,362	-	-	32,707	447,069
Motor vehicle and fuel taxes	-	-	-	1,205,859	1,205,859
Other taxes	1,804,138	117,373	-	225,088	2,146,599
Licenses, permits, and fees	88,464	629	-	982,663	1,071,756
Timber sales	4,037	-	22,224	179,863	206,124
Other contracts and grants	199,408	797,112	-	40,428	1,036,948
Federal grants-in-aid	9,597,099	1,757,935	271	1,243,400	12,598,705
Charges for services	59,882	2,010,187	145	620,259	2,690,473
Investment income (loss)	(15,055)	45,857	368,404	75,017	474,223
Miscellaneous revenue	229,905	83,389	1,841	341,321	656,456
Unclaimed property	62,987	-	-	-	62,987
Contributions and donations	-	-	69,436	-	69,436
Total Revenues	24,650,235	4,812,482	462,321	5,025,567	34,950,605
EXPENDITURES					
Current:					
General government	923,216	-	131	451,864	1,375,211
Human services	13,472,743	363	-	660,529	14,133,635
Natural resources and recreation	387,553	-	-	578,370	965,923
Transportation	41,234	-	-	1,767,266	1,808,500
Education	9,211,186	4,461,526	3,710	409,136	14,085,558
Intergovernmental	102,335	-	-	290,221	392,556
Capital outlays	48,504	218,129	2,441	2,134,383	2,403,457
Debt service:					
Principal	16,104	29,018	-	651,991	697,113
Interest	502	13,171	-	816,032	829,705
Total Expenditures	24,203,377	4,722,207	6,282	7,759,792	36,691,658
Excess of Revenues Over (Under) Expenditures	446,858	90,275	456,039	(2,734,225)	(1,741,053)
OTHER FINANCING SOURCES (USES)					
Bonds issued	336,009	26,359	-	581,826	944,194
Refunding bonds issued	-	-	-	1,160,990	1,160,990
Payments to escrow agents for refunded bond debt	-	-	-	(1,339,372)	(1,339,372)
Bond issue premiums	3,678	657	-	219,195	223,530
Other debt issued	14,700	21,523	-	118,601	154,824
Refunding COPs issued	-	-	-	9,310	9,310
Payments to escrow agents for refunded COP debt	-	-	-	(11,054)	(11,054)
Transfers in	938,822	140,148	2,876	2,778,501	3,860,347
Transfers out	(1,154,483)	(171,790)	(94,954)	(2,214,952)	(3,636,179)
Total Other Financing Sources (Uses)	138,726	16,897	(92,078)	1,303,045	1,366,590
Net Change in Fund Balances	585,584	107,172	363,961	(1,431,180)	(374,463)
Fund Balances - Beginning, as restated	632,617	1,713,030	2,794,316	5,785,568	10,925,531
Fund Balances - Ending	$ 1,218,201	$ 1,820,202	$ 3,158,277	$ 4,354,388	$ 10,551,068

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (374,463)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 2,240,190	
Less: Depreciation expense	(539,915)	1,700,275
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are deferred in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		113,945
Pension trust funding in excess of annual required contributions uses current financial resources, but does not qualify as an expense.		(1,800)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.		210,805
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net assets. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (2,824,069)	
Principal payments on bonds and other financing contracts	2,629,497	
Accreted interest on bonds	(26,666)	(221,238)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ 10,356	
Other postemployment benefits obligations	(224,628)	
Unfunded pension obligations	(42,931)	
Pollution remediation obligations	6,134	
Claims and judgments	(2,640)	
Accrued interest	(25,711)	
Unclaimed property	(6,973)	
Other obligations	(1,592)	(287,985)
Change in Net Assets of Governmental Activities		$ 1,139,539

The notes to the financial statements are an integral part of this statement.

Statement of Fund Net Assets
PROPRIETARY FUNDS
June 30, 2011

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Other Activities
ASSETS				
Current Assets:				
Cash and pooled investments	$ 43,372	$ 2,554,055	$ 684,156	$ 96,345
Investments	2,217,078	-	3,594	362,719
Taxes receivable (net of allowance)	-	-	-	-
Other receivables (net of allowance)	673,619	605,698	182,819	4,405
Due from other funds	55	6,771	320,306	791
Due from other governments	1,127	91,850	41,957	3,428
Inventories	94	-	41,976	84
Prepaid expenses	-	-	19,087	12
Restricted assets:				
Cash and pooled investments	-	-	284,630	-
Receivables	-	-	-	-
Total Current Assets	2,935,345	3,258,374	1,578,525	467,784
Noncurrent Assets:				
Investments, noncurrent	12,512,691	-	278,183	1,897,675
Other noncurrent assets	-	-	84,577	262,346
Capital assets:				
Land and other non-depreciable assets	3,240	-	60,344	-
Buildings	65,134	-	1,933,708	-
Other improvements	1,662	-	79,107	110
Furnishings and equipment	68,809	-	410,284	9,351
Infrastructure	-	-	41,273	-
Intangible assets	4,338	-	19,358	-
Accumulated depreciation	(87,042)	-	(997,418)	(7,417)
Construction in progress	13,041	-	279,789	-
Total Noncurrent Assets	12,581,873	-	2,189,205	2,162,065
Total Assets	15,517,218	3,258,374	3,767,730	2,629,849
LIABILITIES				
Current Liabilities:				
Accounts payable	8,820	-	68,686	1,940
Contracts and retainages payable	6,959	-	10,223	129,500
Accrued liabilities	135,119	8,591	205,459	8,866
Obligations under security lending agreements	2,217,078	-	-	362,719
Bonds and notes payable	3,206	-	59,212	-
Due to other funds	6,114	1,182	480,735	565
Due to other governments	14	49,464	160	4,392
Unearned revenue	7,676	-	34,045	-
Claims and judgments payable	1,741,968	-	-	2,038
Total Current Liabilities	4,126,954	59,237	858,520	510,020
Noncurrent Liabilities:				
Claims and judgments payable	21,201,343	-	-	9,977
Bonds and notes payable	14,876	-	1,421,341	-
Other long-term liabilities	34,556	-	154,165	2,606,489
Total Noncurrent Liabilities	21,250,775	-	1,575,506	2,616,466
Total Liabilities	25,377,729	59,237	2,434,026	3,126,486
NET ASSETS				
Invested in capital assets, net of related debt	51,100	-	630,521	2,043
Restricted for:				
Unemployment compensation	-	3,199,137	-	-
Unrestricted	(9,911,611)	-	703,183	(498,680)
Total Net Assets (Deficit)	$ (9,860,511)	$ 3,199,137	$ 1,333,704	$ (496,637)

The notes to the financial statements are an integral part of this statement.

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 55,735	$ 3,433,663	$ 681,644
45,439	2,628,830	14,108
10,514	10,514	-
25,921	1,492,462	17,020
8,345	336,268	141,915
460	138,822	10,442
55,968	98,122	17,209
809	19,908	4,469
-	284,630	-
-	-	9,438
203,191	8,443,219	896,245
222,161	14,910,710	50,251
3	346,926	-
1,715	65,299	3,836
41,605	2,040,447	168,467
2,426	83,305	15,514
50,916	539,360	787,437
-	41,273	1,818
1,029	24,725	4,901
(48,117)	(1,139,994)	(558,033)
-	292,830	33,254
271,738	17,204,881	507,445
474,929	25,648,100	1,403,690
33,590	113,036	106,883
-	146,682	41,713
100,451	458,486	50,335
-	2,579,797	-
3,135	65,553	55,785
32,123	520,719	104,184
-	54,030	40,475
12	41,733	1,227
-	1,744,006	244,675
169,311	5,724,042	645,277
-	21,211,320	593,040
12,329	1,448,546	180,964
214,042	3,009,252	23,928
226,371	25,669,118	797,932
395,682	31,393,160	1,443,209
34,114	717,778	262,607
-	3,199,137	-
45,133	(9,661,975)	(302,126)
$ 79,247	$ (5,745,060)	$ (39,519)

Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Other Activities
OPERATING REVENUES				
Sales	$ -	$ -	$ 123,257	$ 153
Less: Cost of goods sold	-	-	87,957	83
Gross profit	-	-	35,300	70
Charges for services	-	-	1,275,485	74,997
Premiums and assessments	1,983,348	1,545,016	-	-
Federal aid for unemployment insurance benefits	-	2,288,291	-	-
Lottery ticket proceeds	-	-	-	-
Miscellaneous revenue	35,634	28,352	211,123	3,217
Total Operating Revenues	2,018,982	3,861,659	1,521,908	78,284
OPERATING EXPENSES				
Salaries and wages	135,979	-	635,834	23,628
Employee benefits	51,397	-	174,338	8,099
Personal services	6,366	-	16,119	3,278
Goods and services	72,443	-	713,179	20,232
Travel	3,401	-	20,225	622
Premiums and claims	888,160	3,690,343	-	-
Lottery prize payments	-	-	-	-
Depreciation and amortization	8,037	-	94,293	1,552
Guaranteed education tuition expense	-	-	-	639,365
Miscellaneous expenses	52,463	-	15,541	1,100
Total Operating Expenses	1,218,246	3,690,343	1,669,529	697,876
Operating Income (Loss)	800,736	171,316	(147,621)	(619,592)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	997,577	97,979	225,438	283,923
Interest expense	(1,064)	-	(62,034)	(13)
Distributions to other governments	-	-	-	-
Tax and license revenue	130	-	-	21,557
Other revenues (expenses)	9,164	-	12,094	29
Total Nonoperating Revenues (Expenses)	1,005,807	97,979	175,498	305,496
Income (Loss) Before Contributions, Transfers and Special Item	1,806,543	269,295	27,877	(314,096)
Capital contributions	-	-	13,227	-
Transfers in	-	-	128,476	-
Transfers out	-	-	(58,525)	(3,250)
Net Contributions and Transfers	-	-	83,178	(3,250)
SPECIAL ITEM				
Transfer of Convention and Trade Center to another government (Note 2)	-	-	-	-
Change in Net Assets	1,806,543	269,295	111,055	(317,346)
Net Assets (Deficit) - Beginning, as restated	(11,667,054)	2,929,842	1,222,649	(179,291)
Net Assets (Deficit) - Ending	$ (9,860,511)	$ 3,199,137	$ 1,333,704	$ (496,637)

The notes to the financial statements are an integral part of this statement.

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 660,197	$ 783,607	$ 99,781
429,167	517,207	91,918
231,030	266,400	7,863
8,385	1,358,867	590,630
-	3,528,364	1,449,731
-	2,288,291	-
510,457	510,457	-
1,700	280,026	121,292
751,572	8,232,405	2,169,516
71,105	866,546	271,021
34,365	268,199	83,035
15,516	41,279	15,647
114,447	920,301	246,399
1,592	25,840	3,307
-	4,578,503	1,267,281
295,155	295,155	-
8,529	112,411	70,751
-	639,365	-
226	69,330	2,157
540,935	7,816,929	1,959,598
210,637	415,476	209,918
6,354	1,611,271	4,826
(18,545)	(81,656)	(8,961)
(47,128)	(47,128)	-
152,652	174,339	23
(724)	20,563	(3,293)
92,609	1,677,389	(7,405)
303,246	2,092,865	202,513
-	13,227	1,771
29,890	158,366	23,920
(327,321)	(389,096)	(17,397)
(297,431)	(217,503)	8,294
(222,794)	(222,794)	-
(216,979)	1,652,568	210,807
296,226	(7,397,628)	(250,326)
$ 79,247	$ (5,745,060)	$ (39,519)

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 1,824,052	$ 1,464,198	$ 1,115,737
Payments to suppliers	(2,038,603)	(3,654,975)	(539,004)
Payments to employees	(181,791)	-	(778,198)
Other receipts (payments)	35,634	2,325,435	211,121
Net Cash Provided (Used) by Operating Activities	(360,708)	134,658	9,656
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	128,476
Transfers out	-	-	(58,525)
Operating grants and donations received	9,250	-	9,701
Taxes and license fees collected	130	-	-
Distributions to other governments	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	9,380	-	79,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(1,143)	-	(58,557)
Principal payments on long-term capital financing	(4,030)	-	(32,800)
Proceeds from long-term capital financing	-	-	400,371
Proceeds from sale of capital assets	95	-	25,997
Acquisitions of capital assets	(13,954)	-	(206,773)
Net Cash Provided (Used) by Capital and Related Financing Activities	(19,032)	-	128,238
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	569,678	97,979	212,976
Proceeds from sale of investment securities	4,419,372	-	14,212
Purchases of investment securities	(4,622,325)	-	(55,980)
Net Cash Provided (Used) by Investing Activities	366,725	97,979	171,208
Net Increase (Decrease) in Cash and Pooled Investments	(3,635)	232,637	388,754
Cash and Pooled Investments, July 1, as restated	47,007	2,321,418	580,031
Cash and Pooled Investments, June 30	$ 43,372	$ 2,554,055	$ 968,785
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 800,736	$ 171,316	$ (147,621)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	8,037	-	94,293
Change in Assets: Decrease (Increase)			
Receivables (net of allowance)	(108,684)	(72,027)	(282,503)
Inventories	25	-	126
Prepaid expenses	-	-	311
Change in Liabilities: Increase (Decrease)			
Payables	(1,060,822)	35,369	345,050
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (360,708)	$ 134,658	$ 9,656

The notes to the financial statements are an integral part of this statement.

Continued

			Governmental Activities
Other Activities	Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 914,488	$ 1,171,064	$ 6,489,539	$ 2,171,437
(665,784)	(894,428)	(7,792,794)	(1,663,935)
(30,789)	(102,034)	(1,092,812)	(351,477)
3,191	1,674	2,577,055	92,487
221,106	176,276	180,988	248,512
-	29,890	158,366	23,920
(3,250)	(327,321)	(389,096)	(17,397)
-	25	18,976	532
21,557	151,926	173,613	23
-	(100,550)	(100,550)	-
18,307	(246,030)	(138,691)	7,078
(13)	(3,563)	(63,276)	(8,961)
(297)	(273,991)	(311,118)	(25,590)
-	-	400,371	32,032
-	271,841	297,933	6,965
(283)	(4,848)	(225,858)	(92,011)
(593)	(10,561)	98,052	(87,565)
31,323	88	912,044	5,212
405,929	101,070	4,940,583	69,550
(679,888)	(50,535)	(5,408,728)	(59,867)
(242,636)	50,623	443,899	14,895
(3,816)	(29,692)	584,248	182,920
100,161	85,427	3,134,044	498,724
$ 96,345	$ 55,735	$ 3,718,292	$ 681,644
$ (619,592)	$ 210,637	$ 415,476	$ 209,918
1,552	8,529	112,411	70,751
(37,958)	(7,796)	(508,968)	18,541
(11)	(131)	9	755
3	65	379	631
877,112	(35,028)	161,681	(52,084)
$ 221,106	$ 176,276	$ 180,988	$ 248,512

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	$ -	$ -	$ 13,227
Acquisition of capital assets through capital leases	-	-	2,714
Amortization of annuity prize liability	-	-	-
Increase (decrease) in fair value of investments	421,195	-	281
Refunding bonds issued	-	-	10,400
Refunding bonds redeemed	-	-	10,890
Amortization of debt premium (issue costs/discount)	-	-	448
Increase in ownership of joint venture	-	-	12,169

The notes to the financial statements are an integral part of this statement.

Concluded

			Governmental Activities
Other Avtivities	Nonmajor Enterprise Funds	Total	Internal Service Funds
$ -	$ -	$ 13,227	$ 1,771
-	-	2,714	586
-	14,982	14,982	-
253,048	6,266	427,742	(338)
-	-	10,400	-
-	-	10,890	-
-	-	448	-
-	-	12,169	-

Statement of Fiduciary Net Assets
FIDUCIARY FUNDS
June 30, 2011
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	$ 9,234	$ 2,509,133	$ 385,135	$ 294,185
Investments	-	5,646,806	-	-
Receivables, pension and other employee benefit plans:				
Employers	-	-	117,834	-
Members (net of allowance)	-	-	2,684	-
Interest and dividends	-	-	184,280	-
Investment trades pending	-	-	3,133,472	-
Due from other pension and other employee benefit funds	-	-	968	-
Other receivables, all other funds	-	1,988	-	7,570
Due from other funds	-	-	1,454	479
Due from other governments	-	-	-	19,184
Total Current Assets	9,234	8,157,927	3,825,827	321,418
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	29,858,894	-
Fixed income	-	-	11,765,036	-
Private equity	-	-	15,613,270	-
Real estate	-	-	8,598,192	-
Security lending	-	-	2,718,939	-
Liquidity	-	-	1,949,411	-
Tangible assets	-	-	718,740	-
Investments, noncurrent, all other funds	24,174	708,861	-	28,343
Other noncurrent assets	-	-	-	40,842
Capital assets:				
Furnishings and equipment	32	-	-	-
Accumulated depreciation	(19)	-	-	-
Total Noncurrent Assets	24,187	708,861	71,222,482	69,185
Total Assets	33,421	8,866,788	75,048,309	$ 390,603
LIABILITIES				
Accounts payable	328	-	-	$ 5,444
Contracts and retainages payable	-	-	-	60,345
Accrued liabilities	148	108	3,857,768	6,910
Obligations under security lending agreements	-	-	2,718,938	-
Due to other funds	-	-	2,527	38,337
Due to other pension and other employee benefit funds	-	-	968	-
Due to other governments	-	3,552	-	238,724
Unearned revenue	-	-	893	-
Other long-term liabilities	-	-	-	40,843
Total Liabilities	476	3,660	6,581,094	$ 390,603
NET ASSETS				
Net assets held in trust for:				
Pension benefits	-	-	65,528,135	
Deferred compensation participants	-	-	2,939,080	
Local government pool participants	-	8,863,128	-	
Individuals, organizations & other governments	32,945	-	-	
Total Net Assets	$ 32,945	$ 8,863,128	$ 68,467,215	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 902,855
Members	-	-	959,141
State	-	-	68,699
Participants	-	16,566,893	186,734
Total Contributions	-	16,566,893	2,117,429
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	10,557,243
Interest and dividends	-	22,019	1,614,756
Less: Investment expenses	-	-	(216,935)
Net Investment Income (Loss)	-	22,019	11,955,064
Other Additions:			
Unclaimed property	42,191	-	-
Transfers from other pension plans	-	-	11,441
Other contracts, grants and miscellaneous	31	-	1,462
Total Other Additions	42,222	-	12,903
Total Additions	42,222	16,588,912	14,085,396
DEDUCTIONS			
Pension benefits	-	-	2,937,334
Pension refunds	-	-	282,064
Transfers to other pension plans	-	-	11,441
Administrative expenses	3,353	724	2,649
Distributions to participants	-	16,054,499	149,010
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	31,827	-	-
Total Deductions	35,180	16,055,223	3,382,498
Net Increase (Decrease)	7,042	533,689	10,702,898
Net Assets - Beginning	25,903	8,329,439	57,764,317
Net Assets - Ending	$ 32,945	$ 8,863,128	$ 68,467,215

The notes to the financial statements are an integral part of this statement.

Statement of Fund Net Assets
COMPONENT UNITS
June 30, 2011
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
ASSETS			
Current Assets:			
Cash and pooled investments	$ 7,235	$ 25,746	$ 32,981
Investments	-	42,038	42,038
Investments - restricted	3,701	-	3,701
Other receivables (net of allowance)	834	1,228	2,062
Prepaid expenses	21	109	130
Total Current Assets	11,791	69,121	80,912
Noncurrent Assets:			
Investments, noncurrent - restricted	16,138	-	16,138
Other noncurrent assets	-	87,430	87,430
Capital assets:			
Land	34,677	-	34,677
Buildings	460,610	-	460,610
Furnishings, equipment and intangible assets	20,979	1,596	22,575
Accumulated depreciation	(158,943)	(1,376)	(160,319)
Total Noncurrent Assets	373,461	87,650	461,111
Total Assets	385,252	156,771	542,023
LIABILITIES			
Current Liabilities:			
Accounts payable	98	54,838	54,936
Contracts and retainages payable	3,141	-	3,141
Accrued liabilities	3,855	40	3,895
Unearned revenue	-	5,189	5,189
Total Current Liabilities	7,094	60,067	67,161
Noncurrent Liabilities:			
Other long-term liabilities	20,750	-	20,750
Total Noncurrent Liabilities	20,750	-	20,750
Total Liabilities	27,844	60,067	87,911
NET ASSETS			
Invested in capital assets, net of related debt	331,620	220	331,840
Restricted for deferred sales tax	19,029	-	19,029
Restricted for other purposes	-	1,079	1,079
Unrestricted	6,759	95,405	102,164
Total Net Assets (Deficit)	$ 357,408	$ 96,704	$ 454,112

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
OPERATING REVENUES			
Charges for services	$ 1,051	$ 15,688	$ 16,739
Total Operating Revenues	1,051	15,688	16,739
OPERATING EXPENSES			
Salaries and wages	398	4,567	4,965
Employee benefits	103	1,268	1,371
Personal services	304	1,612	1,916
Goods and services	783	2,198	2,981
Travel	3	21	24
Depreciation and amortization	15,469	150	15,619
Miscellaneous expenses	-	979	979
Total Operating Expenses	17,060	10,795	27,855
Operating Income (Loss)	(16,009)	4,893	(11,116)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	704	848	1,552
Operating grants and contributions	-	103,065	103,065
Distributions of operating grants	-	(102,140)	(102,140)
Naming rights	2,016	-	2,016
Other	(385)	-	(385)
Total Nonoperating Revenues (Expenses)	2,335	1,773	4,108
Income (Loss)	(13,674)	6,666	(7,008)
Capital grants and contributions	1,023	-	1,023
Total Contributions and Transfers	1,023	-	1,023
Change in Net Assets	(12,651)	6,666	(5,985)
Net Assets - Beginning	370,059	90,038	460,097
Net Assets - Ending	$ 357,408	$ 96,704	$ 454,112

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 1

Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. For government-wide and enterprise fund reporting, the state follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government); organizations for which the state is financially accountable; and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government.

Based on these criteria, the following are included in the financial statements of the primary government:

State Agencies. Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, and councils (agencies) and all funds and subsidiary accounts of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor.

Additionally, a small number of board positions are established by statute or independently elected. The state Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets resides with the state.

Colleges and Universities. The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. Each college's governing board appoints a president to function as chief administrator. The state Legislature approves budgets and budget amendments for the colleges' appropriated funds, which include the state's General Fund as well as certain capital projects funds. The state Treasurer issues general obligation debt for major campus construction projects. However, the colleges are authorized to issue revenue bonds.

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. The remainder of the college revenue bonds pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities; the legal liability for the bonds and the ownership of the college assets reside with the state.

Colleges do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges are legally part of the state, their financial operations, including their blended component units, are reported in the primary government financial statements using the fund structure prescribed by GASB.

Retirement Systems. The state of Washington, through the Department of Retirement Systems, administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the

Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of the Department of Retirement Systems is appointed by the Governor.

There are two additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the Board for Volunteer Fire Fighters, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration.

The state Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems, together with the state, provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All ten of the aforementioned retirement systems are included in the primary government's financial statements.

Blended Component Units. Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. The following entities are blended in the state's financial statements:

Tobacco Settlement Authority. The Tobacco Settlement Authority (TSA) was created by the Washington State Legislature in March 2002 as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7 for additional information.

Financial reports for the TSA may be obtained from the authority at the following address:

Tobacco Settlement Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Other Blended Component Units. Tumwater Office Properties, the University of Washington (UW) Alumni Association, UW Physicians, UW Physicians Network, Community Development Properties C-D, Educational Research Properties, Radford Court Properties, Twenty-Fifth Avenue Properties, TSB Properties, Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3 are blended component units in the state's financial statements. All the aforementioned blended component units provide services entirely or almost entirely to the state. Financial information for these blended component units may be obtained from their respective administrative offices.

Discrete Component Units. Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state, or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the authorities. The state also has the ability to influence the operations of the authorities through legislation. The following entities are discretely presented in the financial statements of the state in the component unit's column:

The Washington State Housing Finance Commission, the Washington Higher Education Facilities Authority, the Washington Health Care Facilities Authority, and the Washington Economic Development Finance Authority (financing authorities) were created by the state Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations, including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority
410 - 11th Avenue SE, Suite 201
PO Box 40935
Olympia, WA 98504-0935

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

The Washington State Public Stadium Authority (PSA) was created by the state Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total $357 million. The state issued general obligation bonds for a portion of the cost of the stadium

construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as defined in statute.

Project costs in excess of $300 million were the responsibility of the project's private partner, First & Goal, Inc. The bonds are being repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility. Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority
Qwest Field & Event Center
800 Occidental Avenue South, #700
Seattle, WA 98134

The state's component units each have a year-end of June 30 with the exception of the Washington Economic Development Finance Authority which has a December 31 year-end.

Joint Venture. In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center to establish the Seattle Cancer Care Alliance (SCCA). Each member of the SCCA has a one-third interest. The mission of the SCCA is to eliminate cancer as a cause of human suffering and death and to become recognized as the premier cancer research and treatment center in the Pacific Northwest. The SCCA integrates the cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

Inpatient Services – The SCCA operates a 20-bed unit located within the Medical Center in which its adult inpatients receive care. The fiscal intermediary has determined that the 20-bed unit qualifies as a hospital within a hospital for Medicare reimbursement purposes. The SCCA provides medical oversight and management of the inpatient unit. Under agreements, the Medical Center provides inpatient care services to the SCCA including necessary personnel, equipment, and ancillary services.

Outpatient Services – The SCCA operates an ambulatory cancer care service facility in Seattle. The Medical Center provides various services to the SCCA's outpatient facility including certain pharmacy, laboratory, and pathology services as well as billing, purchasing, and other administrative services.

The state accounts for the Medical Center's interest in SCCA under the equity method of accounting. Income of $12.2 million was recorded in fiscal year 2011, bringing the total equity investment to $75 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for SCCA may be obtained from:

Seattle Cancer Care Alliance
825 Eastlake Avenue East
PO Box 19023
Seattle, WA 98109-1023

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Assets and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Statement of Net Assets. The Statement of Net Assets presents the state's non-fiduciary assets and liabilities. As a general rule, balances between governmental and business-type activities are eliminated.

Assets and liabilities are presented in a net assets format in order of liquidity. Net assets are classified into three categories:

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- Restricted net assets result when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

Statement of Activities. The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For

business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program are also considered program revenues.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The state uses 661 accounts that are combined into 54 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.
- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for research and other educational purposes.
- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the funds.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.
- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.
- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.
- **Other Activities Fund** primarily accounts for the guaranteed education tuition program. The other activities fund also reports the operation of computer systems for legislative information, the pollution liability insurance program; and the Judicial Information System.

The state includes the following governmental and proprietary fund types within nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery; state liquor stores; and vocational/education programs at correctional institutions.

- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, health insurance, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

The state reports the following fiduciary funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit and defined contribution pension plans, and other employee benefit plans.

- **Investment Trust Fund** accounts for the external portion of the Local Government Investment Pool, which is reported by the state as the sponsoring government.

- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.

- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals.

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets and current liabilities are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria is met. Expenditure-driven grant revenue is considered available if it can be collected by the state at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue, if collectible within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by deferred revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations are recognized when due, and certain compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available expendable financial resources.

The state reports deferred revenues on its governmental fund balance sheet under certain conditions. Deferred revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Deferred revenues also arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on their respective statements of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Net assets for trust funds are held in trust for external individuals and organizations.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Assets, Balance Sheets and Statements of Cash Flows as "Cash and Pooled Investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for noncurrent investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), an external investment pool operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963.

Certain pension trust fund investments, including real estate and private equity, are reported at fair value based on appraisals or estimates in the absence of readily ascertainable fair values. At June 30, 2011, these investments are valued at $24.9 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

All other noncurrent investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Assets, except for the net residual balances due between the governmental and business-type activities, which are reported as internal balances. Amounts recorded in governmental and business-type activities as due to or

from fiduciary funds have been reported as due to or from other governments.

Noncurrent receivables are recorded in the Workers' Compensation Fund representing estimated recoveries from third parties for a certain portion of claims expenses that are recorded as noncurrent claims payable. The accrued recoveries are computed using a variety of actuarial and statistical techniques and are discounted at assumed interest rates to arrive at the recorded value.

Disclosures related to the Workers' Compensation Fund activities and claims payable are provided in Notes 1.E.1 and 7.E.

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand within an agency is estimated to be $25,000 or more. Consumable inventories are generally valued at cost using the first-in, first-out method. Donated consumable inventories are recorded at fair market value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method.

Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a reservation of fund balance indicating that they do not constitute "available spendable resources" except for $6.2 million in federally donated consumable inventories, which are offset by deferred revenues because they do not constitute an "available" resource until consumed.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

4. Restricted Assets

Unspent proceeds of state bond issues and other debt financing programs are classified as restricted assets because their use is limited by applicable bond and other debt covenants. These are reflected on the balance sheets and statements of net assets.

5. Capital Assets

Except as noted below, it is the state's policy to capitalize:

- All land;
- All additions and improvements to the state highway system;
- Infrastructure, other than the state highway system, with a cost of $100,000 or more;
- Buildings, building improvements, and leasehold improvements with a cost of $100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of $1,000,000 or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, exchanged; or
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All other capital assets with a unit cost of $5,000 or greater, or collections with a total cost of $5,000 or greater, unless otherwise noted; and
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer.

Assets acquired by capital leases are capitalized if the asset's fair market value meets the state's capitalization threshold described above.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use (ancillary costs). Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets are valued at their estimated fair market value on the date of donation, plus all appropriate ancillary costs. When the fair market value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of original cost and fair market value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized.

State agencies have the option to capitalize art collections, library reserve collections, and museum and historical collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets. Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	3-50 years
Other improvements	3-50 years
Intangibles	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation/ amortization of disposed capital assets are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets,
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale, and
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Assets. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

6. Compensated Absences

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate unpaid compensated absences outstanding at June 30 with future resources rather than advance funding it with currently available expendable financial resources.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Assets.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is payable, i.e., upon employee's use, resignation, or retirement. Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits as applicable, as the leave is earned.

7. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Assets. Bonds payable are reported net of applicable original issuance premium or discount. When material, bond premiums, discounts, and issue costs are deferred and amortized over the life of the bonds.

For governmental fund financial reporting, the face (par) amount of debt issued is reported as other financing sources. Premiums and discounts on original debt issuance are also reported as other financing sources and uses, respectively. Issue costs are reported as debt service expenditures.

8. Fund Equity

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in the following classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned, and unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

In proprietary funds, fund equity is called net assets. Net assets are comprised of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases with few exceptions, through the Workers' Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers' Compensation Fund, an enterprise fund, is used to account for the workers' compensation program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the workers' compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLA) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience, except the Supplemental Pension Fund premiums are based on a flat rate per hours worked independent of risk class or past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the workers' compensation program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. A limited amount of commercial insurance is purchased for liabilities arising from the operations of the Washington State ferries, employee bonds, and to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past nine fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, tribal governments, political subdivisions, and employee organizations representing state civil service workers. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for in the Employee Insurance Fund, an internal service fund.

The state's share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies.

The Health Care Authority, as administrator of the health care benefits program, collects this monthly "premium" from agencies for each active employee enrolled in the program. State employees self-pay for coverage beyond the state's contribution. Cost of coverage for non-state employees is paid by their respective employers. Most coverage is available on a self-paid basis to former employees and employees who are temporarily not in pay status.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 43, an agency fund, the Retiree Health Insurance Fund, is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled 62.3 percent of the eligible subscribers in fiscal year 2011. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

2. Postemployment Benefits

COBRA. In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.

Medical Expense Plan. As disclosed in Note 1.D, at the time of separation from state service due to retirement or death, the state offers a 25 percent buyout of an employee's accumulated sick leave. Individual state agencies may offer eligible employees a medical expense plan (MEP) that meets the requirements of the Internal Revenue Code. Agencies offering an MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

Retirement Benefits. Refer to Note 11 Retirement Plans and Note 12 Other Postemployment Benefits.

3. Interfund/Interagency Activities

The state engages in two major categories of interfund/ interagency activity: reciprocal and nonreciprocal. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

4. Donor-restricted Endowments

The state of Washington reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. There is no state law that governs endowment spending; rather, the policies of individual university and college boards govern the spending of net appreciation on investments.

Under the current spending policy, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowment's market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $172 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Assets.

Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2011 reporting, the state implemented the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides clearer fund balance classifications and clarifies the existing governmental fund type definitions. The new hierarchical fund balance classification structure is based primarily on the extent to which a government is bound to follow constraints on how resources can be used. New fund balance classifications include: nonspendable, committed, restricted, assigned, and unassigned. Details on the state's fund balance classifications and policies are reflected in Note 9.

The governmental funds used by the state were evaluated taking into consideration the provisions of Statement No. 54. A number of accounts reported within special revenue funds did not meet the clarified definition for special revenue funds. As a result, a reclassification of $253.9 million was made to reduce the beginning fund balance of special revenue funds and increase beginning fund balance of the General Fund.

Statement No. 59 *Financial Instruments Omnibus*. Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Existing state reporting and disclosure practices comply with the requirements of Statement No. 59.

Fund Reclassification. During fiscal year 2011, it was determined that an activity being reported in Other Activities, a major enterprise fund, would be more appropriately reported in the General Services Fund, an internal service fund. Accordingly, beginning fund balances were restated by $5.9 million to effect the proper fund classification of the activity.

Prior Period Adjustments. The University of Washington recorded a prior period adjustment to properly report balances related to their Internal Lending Program which is reported within the Higher Education Student Services Fund. The adjustment impacted the Higher Education Special Revenue Fund, a major governmental fund, with an increase of $479.2 million, other nonmajor governmental funds with a decrease of $94.9 million, the Higher Education Student Services, a major enterprise fund, with a decrease of $370.2 million, and internal service funds with an increase of $1.7 million. The adjustment also increased pooled cash in an agency fund by $15.8 million.

Entity Change – Special Item. During fiscal year 2011, except as noted in the following paragraph, all assets and liabilities of the Convention and Trade Center, reported by the state as a nonmajor enterprise fund, were transferred to a public facilities district. The net transfer of the assets and liabilities is reported as a special item on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

As part of the agreement between the state and the public facilities district, the public facilities district issued $271 million in bonds and wired the proceeds to the state to refund the debt held by the state that was related to the Convention and Trade Center.

Fund equity at July 1, 2010, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2010, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2010
Governmental Funds:				
General	$ 378,749	$ 253,868	$ -	$ 632,617
Higher Education Special Revenue	1,319,702	(85,906)	479,234	1,713,030
Motor Vehicle Fund*	1,580,914	(1,580,914)		-
Higher Education Endowment	2,728,726	65,590	-	2,794,316
Nonmajor Governmental *	4,533,121	1,347,362	(94,915)	5,785,568
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(11,667,054)	-	-	(11,667,054)
Unemployment Compensation	2,929,842	-	-	2,929,842
Higher Education Student Services	1,592,870	-	(370,221)	1,222,649
Other Activities**	-	(179,291)		(179,291)
Nonmajor Enterprise**	122,818	173,408		296,226
Internal Service Funds	(257,912)	5,883	1,703	(250,326)
Fiduciary Funds:				
Private Purpose Trust	25,903	-	-	25,903
Local Government Investment Pool	8,329,439	-	-	8,329,439
Pension and Other Employee Benefit Plans	57,764,317	-	-	57,764,317
Component Units:				
Public Stadium	370,059	-	-	370,059
Nonmajor Component Units	90,038	-	-	90,038

* The Motor Vehicle Special Revenue was reported as a major governmental fund in fiscal year 2010, but became a nonmajor fund for reporting purposes in fiscal year 2011.

** The Other Activities Enterprise Fund was reported as a nonmajor proprietary fund in fiscal year 2010, but became a major fund for reporting purposes in fiscal year 2011.

Note 3
Deposits and Investments

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2011, $1.09 billion of the state's deposits with financial institutions were either insured or collateralized, with the remaining $22.1 million uninsured/ uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits and the PDPC provides collateral protection.

B. INVESTMENTS – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS (PENSION TRUST FUNDS)

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the pension trust funds is vested within the voting members of the Washington State Investment Board (WSIB). The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act,

chapter 42.52 RCW, as it makes its investment decisions and seeks to meet its investment objectives.

The pension trust funds consist of retirement contributions from employer and employee participants in the Washington State Retirement System and related earnings on those contributions. The Retirement System is administered by the Department of Retirement Systems. The WSIB has exclusive control of the investment of all money invested in the pension trust funds.

The WSIB manages pension fund assets to maximize return at a prudent level of risk (RCW 43.33A.110). The WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships and limited liability companies for venture capital, leveraged buy-outs, real estate and other tangible assets; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts and swap transactions. There were no violations of these investment restrictions during fiscal year 2011.

Commingled Trust Fund. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 14 separate retirement plans. These plans hold "units" in the CTF, which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell units in the CTF, based on the fair value of the underlying assets, on the first business day of each month. In addition to unit ownership in the CTF, each plan holds short-term investments that are used to manage the cash needs of each retirement plan.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1 and 2/3; Teachers' Retirement System (TRS) Plans 1 and 2/3; School Employees' Retirement System (SERS) Plans 2/3; Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2; Washington State Patrol Retirement System Plans 1 and 2; Public Safety Employees' Retirement System Plan 2; and Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund. PERS Plan 3, TRS Plan 3 and SERS Plan 3 are hybrid defined benefit/defined contribution plans. The participants of those plans have the option to direct their contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

CTF Investment Policies and Restrictions. The CTF is comprised of public markets equities, fixed income securities, private equity investments, tangible assets, real estate, and an innovation portfolio. The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy will be reviewed more frequently if the WSIB believes there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the pension trust funds.

The public markets equity program uses a global benchmark, the Dow Jones Global Total Stock Market Index, reflecting the globalization of capital markets. At the beginning of the fiscal year, the public equity portfolio in the CTF was a combination of separate U.S. and international components. Over the course of the fiscal year, the WSIB restructured the public equity program within the CTF into four components: passive U.S. equity, passive international equity, active global equity and active emerging markets equity.

Because U.S. equity markets are generally efficient and international equity markets are increasingly efficient, most of the WSIB's public equity investments are in low-cost, broad-based passive index funds. The WSIB employs both passive U.S. equity and passive international equity in order to maintain policy weights in both areas. All the global equity mandates and all the emerging market equity mandates are actively managed.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par holdings in any single issuer with a quality rating below investment grade (as defined by Barclays Capital Global Family of Fixed Income Indices). Total holdings of below investment grade credit bonds shall not exceed 15 percent of total bond holdings. The duration of the portfolio (the sensitivity of the portfolio's fair value to changes in the

level of interest rates) is targeted to be within 20 percent of the duration of the Barclays Capital Universal Index.

In addition, the major sector allocations of the fixed income portfolio are limited to the following ranges: U.S treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 60 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

Pension trust funds can be invested in any appropriate private equity investment opportunity that has the potential for returns superior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. These investment types include venture capital investments, corporate finance, distressed, international and mezzanine investments. Private equity investments are made through limited partnership vehicles.

The private equity investment portfolio is managed to meet or exceed the returns of the Russell 3000 (lagged by one quarter) plus 300 basis points. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

The primary goal of the tangible asset portfolio is to generate a long-term, high quality, stable income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments are primarily targeted to those funds, separate accounts, or tangible asset operating companies providing the WSIB with the most robust governance provisions related to acquisition, dispositions, debt levels and ongoing operational decisions for annual capital expenditures. The tangible asset portfolio invests in a number of sectors, but the primary focus is infrastructure, timber and natural resource rights (oil and natural gas).

The WSIB's current return objective for tangible assets calls for a target benchmark of 4 percent above the U.S. Consumer Price Index over a long-term investment horizon defined as at least five years.

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The income generated from bond-like lease payments coupled with the hard asset qualities of commercial real estate combine to generate returns that are expected to fall between the return expectations for fixed income and equities over the long term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class.

The WSIB's real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions and ongoing operational decisions for annual capital expenditures.

Volatility in the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own real estate assets in a private investment form which are not subject to public market volatility. Secondly, real estate capital is diversified among a host of partners with varying investment styles. Thirdly, partnership assets are invested in numerous economic regions, including foreign markets, and in various property types. Finally, the WSIB's partners invest at different points within the properties' capital structure and life cycle.

The WSIB's real estate portfolio current benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period.

The innovation portfolio investment strategy is to provide WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

Currently, there are three investment strategies in the innovation portfolio, two involving private partnerships and one investing in public equities.

2. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2011, the retirement funds had unfunded commitments of $6.87 billion, $6.90 billion, $505.3 million and $308.7 million in private equity, real estate, tangible assets and the innovation portfolio, respectively.

3. Securities Lending

State law and Board policy permit the pension trust funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with JPMorgan to act as agent for the WSIB in securities lending transactions. As JPMorgan is the

custodian bank for the WSIB, it is counterparty to securities lending transactions.

The pension trust funds report securities lent (the underlying securities) as assets in the Statement of Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the pension trust funds have the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are also reported in the Statement of Net Assets. Securities lending transactions collateralized by securities that the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Securities were loaned (consisting of fixed income and equities) and collateralized by the pension trust funds' agent with cash and U.S. government securities (exclusive of mortgage-backed securities and letters of credit) and irrevocable letters of credit. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The collateral held and fair value of securities on loan at June 30, 2011, were $3 billion and $2.92 billion, respectively. At fiscal year-end, the amounts the pension trust funds owed the borrowers exceeded the amounts the borrowers owed pension trust funds, resulting in no credit risk exposure.

As of June 30, 2011, the pension trust funds held the following securities as lending collateral (in thousands):

Cash and cash equivalents	$1,426,003
Bank and promissory notes	537,089
Commercial paper	423,043
Securitized debt instruments	227,695
Repurchase agreements	182,814
Miscellaneous	90,432
Guaranteed insurance contracts	62,897
Sovereign debt	49,139
Total collateral held	$2,999,112

During fiscal year 2011, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The weighted average maturity of loans for 2011 was 1.5 days.

Cash collateral was invested by the WSIB's agents in securities in the WSIB's separately managed short-term investment pool (average final maturity of 34 days). Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral.

Non-cash collateral could not be pledged or sold absent borrower default. Accordingly, non-cash collateral held under securities lending contracts with a value of $280.2 million has not been included in the Statement of Net Assets. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. JPMorgan indemnified the WSIB by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. JPMorgan's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable federal regulations concerning securities lending.

During fiscal year 2011, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2011 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Increases in prevailing interest rates generally translate into decreases in fair values of those investments, and decreases in interest rates result in increases in valuations.

The WSIB does not have a formal policy specifically for interest rate risk. The pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Barclays Capital Universal Index, with a duration that is not 20 percent higher or lower than the duration of the index.

As of June 30, 2011, the pension trust funds' duration was within the duration target of this index.

The schedule below provides information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2011. The schedule displays various asset classes held by maturity in years and credit ratings. Residential mortgage-backed, commercial mortgage-backed and asset-backed securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible

prepayments of principal. All other securities on this schedule are reported using the stated maturity date. Certain foreign investments are recorded in U.S. dollars (USD), while others are generally recorded in non U.S. dollars (Non USD) but have been converted to U.S. dollars for reporting purposes.

Pension Trust Funds
June 30, 2011
(expressed in thousands)

Investment Type	Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Credit Rating
Asset backed securities	$ 121,518	$ 101,242	$ 20,215	$ -	$ 61	Aaa
Residential mortgage-backed securities	2,371,654	355,901	1,931,388	84,365	-	Aaa
Commercial mortgage-backed securities	328,066	99,188	227,260	1,618	-	Multiple
Corporate bonds - domestic (USD)	1,338,352	-	267,658	909,612	161,082	Multiple
Corporate bonds - domestic (Non USD)	27,120	-	27,120	-	-	Multiple
Corporate bonds - foreign (USD)	3,560,256	2,029	714,911	2,316,870	526,446	Multiple
Corporate bonds - foreign (Non USD)	143,388	-	54,576	56,256	32,556	Multiple
U.S. government treasuries	2,077,797	808,070	955,026	314,701	-	Aaa
Foreign government and agencies (USD)	1,010,463	-	92,435	755,526	162,502	Multiple
Foreign government and agencies (Non USD)	438,718	-	63,882	226,760	148,076	Multiple
Supranational (USD)	30,660	-	30,660	-	-	Aaa
Supranational (Non USD)	317,045	-	155,010	162,035	-	Aaa
	11,765,037	$ 1,366,430	$ 4,540,141	$ 4,827,743	$ 1,030,723	
Corporate stock (USD)	3,302,338					
Corporate stock (Non USD)	11,114,937					
Commingled equity index funds	9,455,236					
Alternative investments	24,930,203					
Liquidity	1,949,469					
Total	$ 62,517,220					

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Pension Trust Funds
Investments with Multiple Credit Ratings
June 30, 2011
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Commercial Mortgage-Backed Securities	Corporate Bonds - Domestic (USD)	Corporate Bonds - Domestic (Non USD)	Corporate Bonds - Foreign (USD)	Corporate Bonds - Foreign (Non USD)	Foreign Government and Agencies (USD)	Foreign Government and Agencies (Non USD)	Total
Aaa	$ 284,572	$ -	$ -	$ -	$ -	$ -	$ 163,954	$ 448,526
Aa1	-	-	-	-	-	17,308	-	17,308
Aa2	-	50,015	-	44,418	-	26,650	-	121,083
Aa3	43,494	52,049	-	54,624	-	76,868	-	227,035
A1	-	124,438	-	93,016	-	309,619	-	527,073
A2	-	115,052	-	11,100	32,556	22,518	50,303	231,529
A3	-	127,613	27,120	338,001	39,271	54,617	-	586,622
Baa1	-	308,349	-	495,521	27,115	57,646	-	888,631
Baa2	-	263,413	-	680,614	-	133,280	100,893	1,178,200
Baa3	-	87,630	-	1,054,216	44,446	244,092	12,309	1,442,693
Ba1 or lower	-	209,793	-	788,746	-	67,865	111,259	1,177,663
Total	$ 328,066	$ 1,338,352	$ 27,120	$ 3,560,256	$ 143,388	$ 1,010,463	$ 438,718	$ 6,846,363

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Rated debt investments of the pension trust funds as of June 30, 2011, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The WSIB policy states no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2011.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the pension trust funds would not be able to recover the value of investments that are in the possession of an outside party. The WSIB does not have a policy specifically for custodial credit risk. The WSIB mitigates custodial risk by having its investment securities held by its custodian. Also, investment securities are registered in the name of the WSIB for the benefit of the pension trust funds, excluding cash and cash equivalents and repurchase agreements held as securities lending collateral.

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The WSIB does not have a formal policy to limit foreign currency risk. The WSIB manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer to limit foreign currency and security risk.

The schedule below presents the exposure of pension fund investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial currency of the individual funds and is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars.

Pension Trust Funds
Foreign Currency Risk
June 30, 2011
(expressed in thousands)

	Investment Type					
Foreign Currency Denomination	**Currency**	**Fixed Income**	**Common Stock**	**Private Equity**	**Real Estate**	**Total**
Australia-Dollar	$ 325	$ 375,499	$ 684,846	$ -	$ 24,388	$ 1,085,058
Brazil-Real	356	244,617	91,868	-	-	336,841
Canada-Dollar	3,060	-	864,750	-	-	867,810
Denmark-Krone	466	-	103,820	-	-	104,286
E.M.U.-Euro	8,709	-	2,923,558	2,229,058	143,085	5,304,410
Hong Kong-Dollar	1,085	-	399,609	-	-	400,694
India-Rupee	462	46,979	66,737	-	-	114,178
Indonesia-Rupiah	117	100,006	55,093	-	-	155,216
Japan-Yen	12,254	-	1,967,771	-	-	1,980,025
Mexico-Peso	255	32,556	42,354	-	-	75,165
Norway-Krone	1,223	-	102,606	-	-	103,829
Singapore-Dollar	324	-	170,932	-	-	171,256
South Africa-Rand	10	-	82,763	-	-	82,773
South Korea-Won	-	-	129,125	-	-	129,125
Sweden-Krona	1,119	-	263,775	1,857	-	266,751
Switzerland-Franc	(91)	-	720,504	-	-	720,413
Taiwan-Dollar	1,047	-	84,640	-	-	85,687
Turkey-Lira	726	60,511	53,783	-	-	115,020
United Kingdom-Pound	(1,003)	-	2,113,310	8,997	-	2,121,304
Other-Miscellaneous	2,645	66,103	193,093	-	-	261,841
Total	$ 33,089	$ 926,271	$ 11,114,937	$ 2,239,912	$ 167,473	$ 14,481,682

7. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps and options. Derivative transactions involve, to varying degrees, market and credit risk. In connection with the international and domestic active equity strategy, at June 30, 2011, the pension trust funds held investments in financial futures, forward currency contracts and other derivative securities that are recorded at fair value with changes in value recognized in investment income in the Statement of Changes in Net Assets in the period of change.

Derivatives are generally used to achieve the desired market exposure of a security, index or currency, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. Derivative contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors.

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an "over the counter (OTC) contract" such as forward contracts and "to be announced (TBA) securities." Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2011, the pension trust funds counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty.

Mortgage TBAs are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date. TBAs carry future settlement risk due to the possibility of not receiving the asset or associated gains specified in the contract. Such loss associated with failure by counterparties to deliver under the contracts was not deemed material at June 30, 2011.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index and rebalance the total portfolio.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote.

At June 30, 2011, the pension trust funds had outstanding forward currency contracts to purchase foreign currencies with a fair value of $1.29 billion and outstanding contracts to sell foreign currencies with a fair value of $1.29 billion. The net unrealized loss of $874,000 is included in the Statement of Changes in Net Assets. The contracts have varying maturity dates ranging from July 1, 2011, to September 21, 2011.

At June 30, 2011, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $875.8 million. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The maximum loss that would be recognized at June 30, 2011, if all counterparties fail to perform as contracted is de minimus.

At June 30, 2011, the counterparties' for forward currency contracts that are subject to credit risk had a credit rating of no less than A1 using the Moody's rating scale.

The following schedule presents the significant terms for derivatives held as investments by the WSIB:

Pension Trust Funds
Derivative Investments
June 30, 2011
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ 15,904	$ (1,231)	$ 6
Equity index futures	8,343	-	-
Total	$ 24,247	$ (1,231)	$ 6
To Be Announced (TBA) Securities:			
Total	$ 7,997	$ 328,896	$ 312,000
Forward Currency Contracts:			
Australia-Dollar	$ 40,328	$ 375	$ (44,903)
Brazil-Real	112	-	-
Canada-Dollar	16,506	(8)	(202)
Czech Republic-Koruna	267	1	1,392
Denmark-Krone	1,118	(3)	(2,035)
E.M.U.-Euro	51,926	(601)	29
Hong Kong-Dollar	(91)	(1)	59,135
Hungary-Forint	(153)	-	-
Israel-Shekel	21	-	-
Japan-Yen	28,501	(77)	1,295,417
Mexico-Peso	(24)	-	-
New Zealand-Dollar	517	(5)	(148)
Norway-Krone	761	(656)	(60,694)
Poland-Zloty	(359)	-	-
Singapore-Dollar	397	24	5,652
South Africa-Rand	192	1	1,990
Sweden-Krona	14,940	(285)	-
Switzerland-Franc	12,091	8	10,221
United Kingdom-Pound	13,853	353	(32,311)
United States-Dollar	(172,982)	-	70,031
Total	$ 7,921	$ (874)	$ 1,303,574

8. Reverse Repurchase Agreements – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the workers' compensation fund investments is vested in the voting members of the WSIB. The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, as it makes investment decisions and seeks to meet its investment objectives.

In accordance with state laws, the workers' compensation fund investments are managed to limit fluctuations in the industrial insurance premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and RCW 43.33A.110. Eligible investments include:

- U.S. equities.
- International equities.
- Treasury inflation protection securities (TIPS).
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.

Investment Restrictions. To meet stated objectives, investments of workers' compensation funds are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- Asset allocations are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Dow Jones U.S. Total Stock Market Index. The benchmark and structure for international equities will be the Morgan Stanley Capital International All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long-term position.
- TIPS will be managed to plus or minus 20 percent of the duration of the Barclays Capital U.S. TIPS Index.
- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.
- The fixed income portfolios' structure varies depending upon the required duration target. The duration targets are reviewed every three years, or sooner, if there are significant changes in the funding levels or the liability durations.
- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 70 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent and mortgage-backed securities – 0 percent to 25 percent. These targets are long-term in nature.

Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded the portfolios must be rebalanced to the target allocations as soon as it is practical.

- Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held.

- Total holdings of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) should not exceed 5 percent of total fixed income holdings.

2. Securities Lending

State law and Board policy permit the workers' compensation fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with JPMorgan to act as agent for the workers' compensation fund in securities lending transactions. As JPMorgan is the custodian bank for the workers' compensation fund, it is counterparty to securities lending transactions.

The workers' compensation fund reports securities lent (the underlying securities) as assets in the Statement of Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the workers' compensation fund has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are also reported in the Statement of Net Assets. Securities lending transactions collateralized by securities that the workers' compensation fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Fixed income securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage-backed securities and letters of credit) and irrevocable letters of credit. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities. The collateral held and fair value of securities on loan at June 30, 2011 was $2.45 billion and $2.38 billion, respectively. As of June 30, 2011, the amounts the workers' compensation fund owed the borrowers exceeded the amounts the borrowers owed the workers' compensation fund resulting in no credit risk exposure.

During fiscal year 2011, securities lending transactions could be terminated on demand by either the workers' compensation fund or the borrower. The weighted average maturity of loans was 1.5 days.

Cash collateral was invested by the workers' compensation fund in the WSIB's short-term investment pool (average final maturity of 34 days). Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. Accordingly, non-cash collateral held under securities lending contracts with a value of $228.5 million have not been included in the Statement of Net Assets. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. JPMorgan indemnified the workers' compensation fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. JPMorgan's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2011, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the workers' compensation fund incurred no losses during fiscal year 2011 resulting from a default by either the borrowers or the securities lending agents.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Effective duration is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Effective duration uses the present value of cash flows, weighted for those flows as a percentage of the investment's full price. Increases in prevailing interest rates generally translate into decreases in fair values of those investments. The WSIB does not have a formal policy specifically for interest rate risk.

As of June 30, 2011, workers' compensation fund portfolio durations were within the prescribed duration targets.

The schedule below provides information about the interest rate risks associated with the workers' compensation fund investments as of June 30, 2011. The schedule displays various asset classes held by maturity in years and credit ratings. Residential mortgage-backed, commercial mortgage-backed, and asset-backed securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal. All other securities on the schedule are reported using the stated maturity date.

Workers' Compensation Fund
June 30, 2011
(expressed in thousands)

Investment Type	Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Credit Rating
Residential mortgage-backed securities	$ 1,666,287	$ 8,000	$ 563,234	$ 741,507	$ 353,546	Aaa
Commercial mortgage-backed securities	455,538	55,218	399,584	736	-	Multiple
Corporate bonds-domestic	3,012,126	87,789	610,473	974,662	1,339,202	Multiple
Corporate bonds-foreign (USD)	2,222,468	32,002	618,750	758,732	812,984	Multiple
Foreign government and agencies (USD)	660,072	-	258,272	330,012	71,788	Multiple
Supranational (USD)	296,350	41,778	151,290	103,282	-	Aaa
U.S. government treasuries	703,731	544,495	130,347	28,889	-	Aaa
U.S. treasury inflation protected securities	1,714,801	-	591,980	562,188	560,633	Aaa
	10,731,373	$ 769,282	$ 3,323,930	$ 3,500,008	$ 3,138,153	
Commingled index funds-domestic	975,192					
Commingled index funds-foreign	664,049					
Money market funds	142,101					
Total	$ 12,512,715					

USD: Reported in U.S. dollars

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Workers' Compensation Fund
Investments with Multiple Credit Ratings
June 30, 2011
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Commercial Mortgage-Backed Securities	Corporate Bonds - Domestic	Corporate Bonds-Foreign (USD)	Foreign Government and Agencies (USD)	Total
Aaa	$ 412,044	$ 5,021	$ -	$ 86,714	$ 503,779
Aa2	-	-	89,115	119,659	208,774
Aa3	43,494	253,467	200,994	90,211	588,166
A1	-	306,798	210,733	197,611	715,142
A2	-	658,343	51,648	-	709,991
A3	-	412,324	297,615	14,193	724,132
Baa1	-	504,802	278,461	21,423	804,686
Baa2	-	593,932	524,950	84,296	1,203,178
Ba3	-	187,432	436,983	25,490	649,905
Ba1 or lower	-	90,007	131,969	20,475	242,451
Total	$ 455,538	$ 3,012,126	$ 2,222,468	$ 660,072	$ 6,350,204

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The rated debt investments of the workers' compensation fund as of June 30, 2011, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The workers' compensation

fund policy states no corporate fixed income issue's cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2011.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the workers' compensation fund would not be able to recover the value of investments that are in the possession of an outside party. The workers' compensation fund does not have a policy specifically for custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities held by its custodian. Also, investment securities are registered in the name of the WSIB for the benefit of the workers' compensation fund, excluding cash and cash equivalents and repurchase agreements held as securities lending collateral.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The workers' compensation fund does not have a formal policy to limit foreign currency risk. At June 30, 2011, the workers' compensation funds had $664.0 million invested in an international commingled equity index fund. As such, no currency denomination risk is presented.

6. Derivatives

The workers' compensation fund is authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate and equity swaps, and options to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve, to varying degrees, market and credit risk. The workers' compensation fund mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, and thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Consistent with the workers' compensation fund's authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2011.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

At June 30, 2011, the only derivative securities held directly by the workers' compensation fund were collateralized mortgage obligations of $1.67 billion.

7. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The OST is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The state treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by the policy.

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost (which approximates fair value).

Investment Objectives. The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment.

Safety of principal is the primary objective. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

The investment portfolio will remain liquid to enable the state treasurer to meet all cash requirements that might reasonably be anticipated.

The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

The primary objective of safety will be measured in cash as opposed to accounting terms, where different, and in terms of the portfolio as a whole as opposed to the terms of any individual transaction. This means, for example, that a single transaction that generated an accounting loss but actually increased the amount of cash received in the portfolio would be considered to have increased capital, and not decreased it.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (Chapters 39.58, 39.59, 43.84.080 and 43.250 RCW). Eligible investments include:

- Obligations of the U.S. government.

- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.

- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.

- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.

- Commercial paper provided that the OST adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)).

- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.

- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of LGIP funds, the investment portfolio will be subject to the following restrictions:

- Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and securities utilized in repurchase agreements.

- The weighted average maturity of the portfolio will not exceed 60 days.

- The weighted average life of the portfolio will not exceed 120 days.

- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.

- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

2. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2011, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract requires the lending agent to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year. There were no securities on loan as of June 30, 2011.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The LGIP portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds. To a great extent, the Rule 2a-7

investment guidelines are directed towards limiting interest rate risk in order to maintain a stable net asset value.

The LGIP policy places a 60-day maximum on the weighted average maturity and a 120-day maximum on the weighted average life. Further, the maximum maturity of any security will not exceed 397 days, except securities utilized in repurchase agreements and U.S. agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2011, the LGIP had a weighted average maturity of 57 days and a weighted average life of 109 days.

The following schedule presents the LGIP investments, deposits and related maturities, by type, and provides information about the interest rate risks associated with the LGIP investments as of June 30, 2011:

Local Government Investment Pool (LGIP)
June 30, 2011
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 6,565,888	$ 5,857,027	$ 708,861
U.S. treasury securities	1,900,331	1,900,331	-
Repurchase agreements	250,000	250,000	-
Certificates of deposit	109,365	109,365	-
Demand deposit accounts	559,604	559,604	-
Total	$ 9,385,188	$ 8,676,327	$ 708,861

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositaries, and obligations of the state of Washington or its political subdivisions.

Banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations at the time of purchase. The LGIP currently does not have any banker's acceptances, commercial paper, or municipal bonds in its portfolio.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the LGIP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The market value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of U.S. treasury and U.S. agency securities, the LGIP limits the purchase of securities of any one issuer to no more than 5 percent of the portfolio.

As of June 30, 2011, U.S. treasury securities comprised 20.2 percent of the total portfolio. U.S. agency securities comprised 70.0 percent of the total portfolio, including Federal Home Loan Mortgage Corporation (24.7 percent), Federal Home Loan Bank (15.0 percent), Federal National Mortgage Association (17.2 percent), and Federal Farm Credit Bank (13.1 percent).

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Reverse Repurchase Agreements

State law also permits the LGIP to enter into reverse repurchase agreements which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest.

The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements

normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities.

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During the fiscal year there was no credit risk for the LGIP due to the fair value plus accrued interest of the underlying securities being less than the fair value plus accrued interest of the reinvested cash. On June 30, 2011, there were no obligations under reverse repurchase agreements.

The market value plus accrued income of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value plus accrued income of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement.

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2011, repurchase agreements totaled $250.0 million.

E. INVESTMENTS – HIGHER EDUCATION SPECIAL REVENUE AND ENDOWMENT FUNDS

1. Summary of Investment Policies

The investments of the University of Washington represent 76 percent of the total investments in Higher Education Special Revenue and Endowment Funds.

The Board of Regents of the University of Washington is responsible for the management of the University's investments. The Board establishes investment policy, which is carried out by the Chief Investment Officer.

The University of Washington Investment Committee, comprised of Board members and investment professionals, advises on matters relating to the management of the University's investment portfolios.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2011, the Invested Funds Pool totaled $1.25 billion. The fund also owns units in the Consolidated Endowment Fund valued at $447.4 million on June 30, 2011.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2 percent in fiscal year 2011. Endowment operating and gift accounts received 3 percent in fiscal year 2011. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW allows for the spending of appreciation in the CEF.

During fiscal year 2011, the Board of Regents adopted a new long-term spending policy for the CEF replacing the interim spending policy which was effective in fiscal years 2009 and 2010. Under the new policy, quarterly distributions to programs are based on an annual percentage rate of 4 percent applied to the five-year rolling average. The new policy was effective with the December 2010 quarterly distributions with the five-year averaging period implemented incrementally. The administrative fee of 1 percent supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets continues, but is now based on a five-year average value similar to program distributions.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Assets category. Of the total $1.31 billion permanent endowment funds (at fair value) as of June 30, 2011, the aggregate amount of the deficiencies where the fair value of the assets is less than the original gifts is $21.9 million.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $51.8 million at June 30, 2011. Income received from these trusts, which is included in investment income, was $2.0 million for the year ended June 30, 2011.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $128.1 million in 2011 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2011 was $324.1 million.

The following schedule presents the fair value of the University of Washington's investments by type at June 30, 2011:

University of Washington
June 30, 2011
(expressed in thousands)

Investment Type	Fair Value
Cash equivalents	$ 544,489
Domestic fixed income	1,311,329
Foreign fixed income	28,292
Domestic equity	414,524
Foreign equity	614,061
Non-marketable alternatives	618,705
Absolute return	329,723
Real assets	7,525
Miscellaneous	3,620
Total	$ 3,872,268

2. Funding Commitments

The University enters into contracts with investment managers to fund alternate investments. As of June 30, 2011, the University had outstanding commitments to fund alternative investments in the amount of $242.0 million.

3. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. Due to market conditions, the University terminated this program in September 2008, and as of June 30, 2011, the University had no securities on loan.

4. Interest Rate Risk

The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform while controlling the interest rate risk in the portfolio. Modified duration, which estimates the sensitivity of a bond's price to interest rate changes, is based on a calculation entitled Macaulay duration.

Macaulay is an accepted calculation developed for a portfolio of bonds assembled to fund a fixed liability. Macaulay duration is calculated as follows: sum of discounted time-weighted cash flows divided by the bond price. Modified duration is calculated using the following formula: Macaulay duration divided by (one plus yield-to-maturity divided by the number of coupon payments per year).

The Interest Rate Risk schedule presents the modified duration of the University's investments for which duration is measured. Duration figures at June 30, 2011, exclude $313.2 million of fixed-income securities held outside the CEF and the Invested Funds Pool. This amount makes up 8.1 percent of the University's investments.

University of Washington
Interest Rate Risk
Duration as of June 30, 2011
(expressed in thousands, modified duration in years)

	Consolidated Endowment Fund		Invested Funds Pool	
	Asset Value	Duration	Asset Value	Duration
Asset Category				
Domestic cash and cash equivalents	$ 28,968	-	$ 332,658	-
Foreign cash and cash equivalents	1,877	-	-	-
Domestic fixed income	265,455	1.90	916,485	3.50
Foreign fixed income	19,795	2.44	5,707	1.76
Total	$ 316,095	1.54	$ 1,254,850	2.56

5. Credit Risk

Credit risk is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or negative perceptions of the issuer's ability to make these payments will cause prices to decline.

The University investment policies limit fixed income exposure to investment grade assets. The investment policy for the University's invested funds cash pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally recognized rating organization. The invested funds liquidity pool requires each manager to maintain an average quality rating of "A" and to hold 25 percent of their portfolios in government and government agency issues.

The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade securities.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy regarding custodial credit risk. However, all University assets are held in the name of the University of Washington and are not subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The CEF investment policy limits concentration by manager, country (other than U.S.) and market sector. The University further mitigates concentration of credit risk through the due diligence of each manager and careful monitoring of asset concentrations.

The schedule below provides information on investments subject to credit risk. It excludes $313.2 million of fixed-income securities held outside the CEF and the Invested Funds Pool.

University of Washington
Investments Credit Rating
As of June 30, 2011
(expressed in thousands)

Credit Rating	Consolidated Endowment Fund Asset Value	Invested Funds Asset Value
AAA	$ 229,100	$ 1,172,898
AA	47,780	42,629
A	29,331	12,183
BBB	2,704	2,696
BB	-	4,691
B	-	4,697
CCC	253	8,863
CC	159	386
C	152	-
D	-	863
Not rated	6,616	4,944
Total	$ 316,095	$ 1,254,850

6. Foreign Currency Risk

The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure.

At June 30, 2011, the University had net outstanding forward commitments to sell foreign currency with a total fair value of $7.1 million, which equals 0.18 percent of the total portfolio.

The following schedule details the market value of foreign denominated securities by currency type in the CEF:

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2011
(expressed in thousands)

Foreign Currency	Foreign Cash and Fixed Income	Foreign Equity	Alternatives and Other Investments
Australia-Dollar	$ 1,924	$ 10,614	$ 6,061
Brazil-Real	41	43,694	679
Britain-Pound	5,955	66,882	10,393
Canada-Dollar	4,258	11,792	10,510
China-Renminbi	-	54,054	9,888
E.M.U.-Euro	2,632	72,863	71,586
India-Rupee	56	29,543	23,601
Hong Kong-Dollar	44	25,117	5,439
Japan-Yen	-	38,759	12,035
Russia-Ruble	-	35,108	2,607
Switzerland-Franc	753	19,792	777
Taiwan-Dollar	567	17,294	3,286
Remaining currencies	5,443	174,785	26,274
Total	$ 21,673	$ 600,297	$ 183,136

7. Derivatives

The University's investments include certain derivative instruments and structured notes that derive their value from a security, asset, or index. Under the University's investment policies and guidelines, derivatives may be used to manage the aggregate portfolio risk/return profile. This includes the use of swaps, options, futures and other derivative products to adjust exposures, to equitize cash, or to rebalance across asset classes.

The University enters into total return swaps to manage its exposure to market fluctuations in various asset classes. Total return swaps involve commitments to pay interest in exchange for a market linked return, both based on notional amounts.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2011.

The University did not hold any investment or hedging derivatives as of June 30, 2011. Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

8. Reverse Repurchase Agreements – None.

F. INVESTMENTS - OFFICE OF THE STATE TREASURER CASH MANAGEMENT ACCOUNT

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust Funds in excess of daily requirements.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return.

The emphasis on "expected" is to recognize that investment decisions are made under conditions of risk and uncertainty. Neither the actual risk nor return of any investment decision is known with certainty at the time the decision is made.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute, including Chapters 39.58, 39.59, 43.84.080 and 43.250 RCW. Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper, provided that the OST adheres to policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7).
- Deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Local Government Investment Pool.
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of Treasury/Trust Funds, the Cash Management Account investment portfolio is subject to the following restrictions:

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations (CMO) requires prior approval from the treasurer or assistant treasurer. CMO securities must pass the Federal Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.
- The allocation to investments subject to high sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

Additionally, investments in non-government securities, excluding collateral of repurchase agreements, must fall within prescribed limits.

2. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST, which has contracted with a lending agent to lend securities, earns a fee for this activity.

The OST lending agent lends U.S. government and U.S. agency securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian.

The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2011, there were no securities on loan.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2011, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions or any losses resulting from a default of a borrower or lending agent during the fiscal year.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of the investment. The Treasury/Trust investments are separated into portfolios with objectives based primarily on liquidity needs.

The OST's investment policy limits the weighted average maturity of its investments based on cash flow expectations. Policy also directs due diligence to be exercised with timely reporting of material deviation from expectations and actions taken to control adverse developments as may be possible.

The following schedule presents the fair value of the OST's investments by type at June 30, 2011:

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2011
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 1,398,477	$ 618,755	$ 779,722
U.S. government obligations	159,093	-	159,093
Repurchase agreements	1,274,531	1,274,531	-
Certificates of deposit	140,651	140,651	-
Interest bearing bank accounts	610,207	610,207	-
Total	$ 3,582,959	$ 2,644,144	$ 938,815

4. Credit Risk

The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in, such as: U.S. government and agency securities, banker's acceptances, commercial paper, and deposits with qualified public depositaries.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and insure the safety of the investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2011, the non-governmental securities of a single issuer held by the Cash Management Account did not exceed 5 percent of the total portfolio.

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Reverse Repurchase Agreements

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities.

If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio.

The market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement.

The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the Treasury/Trust custodian in the state's name. Collateralized Mortgage Obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. There were no reverse repurchase agreements as of June 30, 2011.

Note 4
Receivables and Deferred/Unearned Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2011, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 979,085	$ -	$ -	$ 279	$ 979,364
Sales	1,411,929	-	-	2,219	1,414,148
Business and occupation	565,340	-	-	-	565,340
Estate	3,781	21,795	-	-	25,576
Fuel	-	-	-	110,687	110,687
Other	2,071	-	-	166	2,237
Subtotals	2,962,206	21,795	-	113,351	3,097,352
Less: Allowance for uncollectible receivables	53,054	-	-	804	53,858
Total Taxes Receivable	$ 2,909,152	$ 21,795	$ -	$ 112,547	$ 3,043,494

Other Receivables
Other receivables at June 30, 2011, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	$ 972,348	$ -	$ -	$ -	$ 972,348
Accounts receivable	25,584	193,953	1,191	67,524	288,252
Interest	46	6,950	5,375	1,652	14,023
Loans (2)	4,244	131,548	-	415,175	550,967
Long-term contracts (3)	2,083	-	8,086	57,268	67,437
Miscellaneous	7,876	74,044	12,423	194,619	288,962
Subtotals	1,012,181	406,495	27,075	736,238	2,181,989
Less: Allowance for uncollectible receivables	852,718	22,065	-	22,589	897,372
Total Other Receivables	$ 159,463	$ 384,430	$ 27,075	$ 713,649	$ 1,284,617

Notes:

(1) Public assistance receivables mainly represent amounts owed the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

(2) Significant long-term portions of loans receivable include $111 million in the Higher Education Special Revenue Fund for student loans and $403 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

(3) Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

Deferred Revenue

Deferred revenues at June 30, 2011, consisted of the following (expressed in thousands):

Deferred Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 952,133	$ -	$ -	$ 93	$ 952,226
Other taxes	344,700	9,133	-	132	353,965
Timber sales	2,083	-	8,086	57,268	67,437
Charges for services	11,132	174,159	218	32,744	218,253
Donable goods	5	-	-	6,223	6,228
Grants and donations	31,062	984	-	19,097	51,143
Loan program	2,014	-	-	812,424	814,438
Miscellaneous	26,464	6,275	-	57,776	90,515
Total Deferred Revenue	$ 1,369,593	$ 190,551	$ 8,304	$ 985,757	$ 2,554,205

B. PROPRIETARY FUNDS

Taxes Receivable

Taxes receivable at June 30, 2011, consisted of $10.5 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2011, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Other Receivables	**Workers' Compensation**	**Unemployment Compensation**	**Higher Education Student Services**	**Other Activities**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Accounts receivable	$ 139,234	$ -	$ 234,685	$ 417	$ 26,061	$ 400,397	$ 10,004
Interest	109,020	-	531	3,987	-	113,538	36
Miscellaneous	563,588	697,984	28,747	1	55	1,290,375	7,186
Subtotals	811,842	697,984	263,963	4,405	26,116	1,804,310	17,226
Less: Allowance for uncollectible receivables	138,223	92,286	81,144	-	195	311,848	206
Total Other Receivables	$ 673,619	$ 605,698	$ 182,819	$ 4,405	$ 25,921	$ 1,492,462	$ 17,020

Unearned Revenue

Unearned revenue at June 30, 2011, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	**Workers' Compensation**	**Unemployment Compensation**	**Higher Education Student Services**	**Other Activities**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Charges for services	$ -	$ -	$ 33,155	$ -	$ 12	$ 33,167	$ 1,219
Other taxes	127	-	-		-	127	-
Miscellaneous	7,549	-	890		-	8,439	8
Total Unearned Revenue	$ 7,676	$ -	$ 34,045	$ -	$ 12	$ 41,733	$ 1,227

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2011, consisted of the following (expressed in thousands):

Other Receivables	Local Government Investment Pool	Agency Funds
Interest	$ 1,988	$ 6,862
Other	-	3,421
Subtotals	1,988	10,283
Less: Allowance for uncollectible receivables	-	2,713
Total Other Receivables	$ 1,988	$ 7,570

Unearned Revenue

Unearned revenue at June 30, 2011, consisted of $893 thousand for service credit restorations reported in Pension and Other Employee Benefit Funds.

Note 5
Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2011, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 42,137	$ -	$ 102,041	$ 203
Higher Educ. Special Revenue	28,261	-	24	13,424	463
Higher Education Endowment	-	-	-	110	-
Nonmajor Governmental Funds	128,169	46,343	3,482	191,985	31
Workers' Compensation	4	40	-	4	-
Unemployment Compensation	1,931	2,035	-	1,763	696
Higher Educ. Student Services	416	217	-	275,967	214
Other Activities	667	4	-	58	1
Nonmajor Enterprise Funds	2,881	43	-	3,902	13
Internal Service Funds	21,009	1,251	-	22,518	4,493
Fiduciary Funds	24	221	-	30	-
Totals	$ 183,362	$ 92,291	$ 3,506	$ 611,802	$ 6,114

Interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred, and (2) interfund transfers were accrued and when the liquidations occurred.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $968 thousand within the state's Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Other Activities	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ -	$ -	$ 287	$ 29,340	$ 1,002	$ 3	$ 175,013
-	272,138	-	1	5,408	11	319,730
-	-	-	-	-	12	122
1,182	208,494	14	143	1,879	25	581,747
-	-	-	-	-	7	55
-	53	14	124	155	-	6,771
-	-	-	-	11,961	31,531	320,306
-	-	-	-	60	1	791
-	24	3	1,358	78	43	8,345
-	26	247	893	83,632	7,846	141,915
-	-	-	264	9	1,385	1,933
$ 1,182	$ 480,735	$ 565	$ 32,123	$ 104,184	$ 40,864	$ 1,556,728

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2011, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	**General**	**Higher Education Special Revenue**	**Higher Education Endowment**	**Nonmajor Governmental Funds**	**Workers' Compensation**
General	$ -	$ 87,351	$ -	$ 1,052,892	$ -
Higher Educ. Special Revenue	80,735	-	-	4,992	-
Higher Education Endowment	-	286	-	94,668	-
Nonmajor Governmental Funds	573,077	4,391	2,876	1,590,850	-
Workers' Compensation	-	-	-	-	-
Higher Educ. Student Services	-	34,967	-	23,500	-
Other Activities	3,250	-	-	-	-
Nonmajor Enterprise Funds	276,601	11,900	-	10,048	-
Internal Service Funds	5,159	1,253	-	1,551	-
Totals	$ 938,822	$ 140,148	$ 2,876	$ 2,778,501	$ -

* Transfers of $39 thousand of capital assets were made from Proprietary Funds to Governmental Funds.

Except as noted below, transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Liquor Fund and the Lottery Fund as required by law, and 5) transfer amounts to and from the General Fund as required by law.

On June 30, 2011, $129 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The BSA is reported as an Administrative Account within the General Fund. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. During fiscal year 2011, Engrossed Substitute House Bill 1086 authorized the transfer of $223 million from the BSA to the General Fund Basic Account.

Engrossed Substitute House Bill 1086 also required transfer of $576 million from other funds to the General Fund to address revenue shortfalls.

In addition to the transfers noted in the schedule above, there were transfers of $11.4 million within the state's Pension Trust Funds.

Transferred To					
Higher Education Student Services	Other Activities	Nonmajor Enterprise Funds	Internal Service Funds	Capital Asset Transfers*	Totals
$ 505	$ -	$ 61	$ 13,674	$ -	$ 1,154,483
85,214	-	-	849	-	171,790
-	-	-	-	-	94,954
38,938	-	-	4,820	-	2,214,952
-	-	-	-	-	-
-	-	-	58	-	58,525
-	-	-	-	-	3,250
-	-	28,733	-	39	327,321
3,819	-	1,096	4,519	-	17,397
$ 128,476	$ -	$ 29,890	$ 23,920	$ 39	$ 4,042,672

Note 6
Capital Assets

Capital assets at June 30, 2011, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2011 (expressed in thousands):

Capital Assets	Balances July 1, 2010	Additions	Deletions*	Balances June 30, 2011
Capital assets, not being depreciated:				
Land	$ 1,178,764	$ 193,372	$ (41,619)	$ 1,330,517
Transportation infrastructure	19,644,610	1,331,745	-	20,976,355
Intangible assets- indefinite lives	2,552	863	-	3,415
Art collections, library reserves, and museum and historical collections	110,483	2,588	-	113,071
Construction in progress	865,388	473,646	(369,512)	969,522
Total capital assets, not being depreciated	21,801,797			23,392,880
Capital assets, being depreciated:				
Buildings	10,401,323	533,124	(155,650)	10,778,797
Accumulated depreciation	(3,475,448)	(270,390)	47,267	(3,698,571)
Net buildings	6,925,875			7,080,226
Other improvements	1,234,929	42,939	(63,194)	1,214,674
Accumulated depreciation	(514,187)	(43,940)	19,117	(539,010)
Net other improvements	720,742			675,664
Furnishings, equipment and intangible assets	3,902,665	309,082	(139,500)	4,072,247
Accumulated depreciation	(2,540,405)	(269,323)	105,046	(2,704,682)
Net furnishings, equipment and intangible assets	1,362,260			1,367,565
Infrastructure	806,465	34,520	-	840,985
Accumulated depreciation	(370,216)	(27,014)	-	(397,230)
Net infrastructure	436,249			443,755
Total capital assets, being depreciated, net	9,445,126			9,567,210
Governmental Activities Capital Assets, Net	$ 31,246,923			$ 32,960,090

*Deletions include the removal of facilities and equipment related to the closure of the McNeil Island Correctional Center.

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2011 (expressed in thousands):

Capital Assets	Balances July 1, 2010	Additions	Deletions*	Balances June 30, 2011
Capital assets, not being depreciated:				
Land	$ 142,716	$ -	$ (77,452)	$ 65,264
Art collections	35	-	-	35
Construction in progress	211,017	253,147	(171,334)	292,830
Total capital assets, not being depreciated	353,768			358,129
Capital assets, being depreciated:				
Buildings	2,403,821	31,670	(395,044)	2,040,447
Accumulated depreciation	(732,435)	(59,410)	114,838	(677,007)
Net buildings	1,671,386			1,363,440
Other improvements	97,813	5,481	(19,989)	83,305
Accumulated depreciation	(27,166)	(3,870)	2,979	(28,057)
Net other improvements	70,647			55,248
Furnishings, equipment and intangible assets	534,626	51,196	(21,737)	564,085
Accumulated depreciation	(392,464)	(48,119)	20,498	(420,085)
Net furnishings, equipment and intangible assets	142,162			144,000
Infrastructure	30,110	12,497	(1,334)	41,273
Accumulated depreciation	(13,833)	(1,012)	-	(14,845)
Net infrastructure	16,277			26,428
Total capital assets, being depreciated, net	1,900,472			1,589,116
Business-Type Activities Capital Assets, Net	$ 2,254,240			$ 1,947,245

*Deletions include the removal of the land, buildings, furnishings and equipment of the Convention and Trade Center which were transferred to a public facilities district (refer to Note 2).

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2011, was charged by the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General government	$ 55,339
Education - elementary and secondary (K-12)	3,622
Education - higher education	339,595
Human services	25,474
Adult corrections	56,627
Natural resources and recreation	37,067
Transportation	92,943
Total Depreciation Expense - Governmental Activities *	$ 610,667
Business-Type Activities:	
Workers' compensation	$ 8,037
Unemployment compensation	-
Higher education student services	94,293
Other	10,081
Total Depreciation Expense - Business-Type Activities	$ 112,411

*Includes $70.8 million internal service fund depreciation that was allocated to functions as a part of the net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2011, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2011	Remaining Project Commitments
Department of General Administration:		
O'Brien building improvement, transportation building improvements, capitol campus high voltage project and other projects	$ 56,801	$ 20,164
Department of Labor and Industries:		
Early claims solution software and Retro rewrite	13,040	4,171
Department of Social and Health Services:		
GHS IMU health center and admin, underground utilities replacement and other projects	60,705	5,367
Department of Veterans Affairs:		
Veterans cemetery and Walla Walla veterans home	8,818	32,118
Department of Corrections:		
Prison intake center	-	247,837
Correctional centers improvements and other projects	47,279	23,848
Department of Transportation:		
State highway office and maintenance facilities, and ferry vessels and terminals	236,638	33,952
Transportation infrastructure		6,785,963
Department of Fish and Wildlife:		
Skookumchuck hatchery renovation, Deschutes watershed center, and other projects	9,864	12,928
Employment Security Department:		
Next generation TAXIS system project	21,711	32,766
University of Washington		
HUB renovation	203,240	425,949
Washington Biomed research facilities, Ravenna clinic, and other expansion projects	17,276	143,988
Husky ballpark and Husky stadium projects	15,630	446,926
UWMC equipment purchases	127,132	110,875
Terry Hall, housing projects, garage, fleet services and other projects	90,424	56,462
Washington State University		
Veterinary medical research and global animal health building	39,848	100,642
Biomedical and health sciences building	3,645	74,970
Martin stadium improvement, Community/Duncan Dunn & Northside residence hall	6,755	122,445
Applied technology classroom building	26,614	15,052
Student information system, voice over internet protocol system (VOIP), & other projects	17,611	21,477
Eastern Washington University		
Residence hall project, Patterson Hall renovation, Science center	14,564	67,784
Central Washington University		
Hogue Hall renovation, residence hall project, and other projects	28,976	44,014
The Evergreen State College		
Housing project and other projects	1,704	2,129
Western Washington University		
Miller Hall renovation, housing and dining, and other projects	64,268	12,527
Community and Technical Colleges		
Bellevue health science building	3,275	42,276
Bellingham campus center	15,187	16,297
Everett index replacement and student fitness and health center	22,884	5,586
Lake Washington allied health building	27,230	667
Other miscellaneous community college projects	27,333	85,859
Peninsula business and humanities center	30,046	921
Seattle Community College District Duwamish, PSIEC, Edison N. renovation, employment residence center, wood construction replacement	12,999	66,702
Tacoma health careers center	1,954	38,922
Other agency projects	8,901	1,098
Total Construction in Progress	$ 1,262,352	$ 9,102,682

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2011, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The State Constitution and enabling statutes authorize the incurrence of state general obligation debt, to which the state's full faith, credit, and taxing power are pledged, either by the State Legislature or by a body designated by statute (presently the State Finance Committee).

Legislative authorization arises from:

- An affirmative vote of 60 percent of the members of each house of the Legislature, without voter approval, in which case the amount of such debt is generally subject to the constitutional debt limitation described below;

- When authorized by law for a distinct work or object and approved by a majority of the voters voting thereon at a general election, or a special election called for that purpose, in which case the amount of the debt so approved is not subject to the constitutional debt limitations described below;

- By the State Finance Committee without limitation as to amount, and without approval of the Legislature or approval of the voters.

The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) meeting temporary deficiencies of the state treasury if such debt is discharged within 12 months of the date of incurrence and is incurred only to provide for appropriations already made by the Legislature; or (2) refunding of outstanding obligations of the state.

Legal Debt Limitation
The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. More specifically, the constitutional debt limitation prohibits the issuance of new debt if it would cause the maximum annual debt service on all thereafter outstanding debt to exceed 9 percent of the arithmetic mean of general state revenues for the preceding three fiscal years. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

The State Constitution and current statutes require the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2011 is $1.1 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the $16.8 billion general obligation bond debt outstanding at June 30, 2011, $10.5 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2011, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cdl2011.pdf, or to the Statistical Section of this report.

Authorized But Unissued
The state had a total of $9.6 billion in general obligation bonds authorized but unissued as of June 30, 2011, for the purpose of capital construction, higher education, and transportation projects throughout the state.

Interest Rates
Interest rates on fixed rate general obligation bonds ranged from 0.63 to 7.25 percent. Variable rate demand obligations (VRDO) of $117.8 million as of June 30, 2011, are remarketed on a weekly basis. Interest rates on revenue bonds range from 2.50 to 7.40 percent.

Debt Service Requirements to Maturity

General Obligations Bonds
General obligation bonds have been authorized and issued primarily to provide funds for:

- Acquisition and construction of state and common school capital facilities;
- Transportation construction and improvement projects;
- Assistance to local governments for public works capital projects; and
- Refunding of general obligation bonds outstanding.

Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2011. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington, 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963, or by visiting their website at: http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2011, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2012	$ 642,535	$ 814,764	$ 3,205	$ 897	$ 645,740	$ 815,661
2013	669,362	783,568	3,400	717	672,762	784,285
2014	702,492	753,964	3,605	527	706,097	754,491
2015	732,860	731,530	3,820	325	736,680	731,855
2016	795,582	703,082	4,050	110	799,632	703,192
2017-2021	3,961,273	3,089,844	-	-	3,961,273	3,089,844
2022-2026	3,774,239	2,078,842	-	-	3,774,239	2,078,842
2027-2031	3,324,533	1,197,971	-	-	3,324,533	1,197,971
2032-2036	1,732,245	292,016	-	-	1,732,245	292,016
2037-2041	415,250	52,671	-	-	415,250	52,671
Total Debt Service Requirements	$ 16,750,371	$ 10,498,252	$ 18,080	$ 2,576	$ 16,768,451	$ 10,500,828

Revenue Bonds

Revenue bonds are authorized under current state statutes, which provide for the issuance of bonds that are not supported, or not intended to be supported, by the full faith and credit of the state.

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2011, include $162 million in governmental activities and $650.7 million in business-type activities.

The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2011, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2012	$ 26,615	$ 40,527	$ 53,020	$ 62,615	$ 79,635	$ 103,142
2013	8,400	39,446	32,940	65,387	41,340	104,833
2014	21,243	39,084	47,390	63,813	68,633	102,897
2015	17,705	37,889	39,730	62,174	57,435	100,063
2016	27,107	36,948	41,335	60,421	68,442	97,369
2017-2021	133,486	162,111	249,834	269,242	383,320	431,353
2022-2026	141,967	121,278	217,372	218,117	359,339	339,395
2027-2031	218,005	72,694	207,016	160,148	425,021	232,842
2032-2036	66,135	25,074	251,178	118,048	317,313	143,122
2037-2041	79,028	6,549	283,352	24,330	362,380	30,879
Total Debt Service Requirements	$ 739,691	$ 581,600	$ 1,423,167	$ 1,104,295	$ 2,162,858	$ 1,685,895

Governmental activities include revenue bonds outstanding at June 30, 2011, of $406.6 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517 million in bonds and transferred $450 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $754 million, payable through 2032. For the current year, pledged revenue and debt service were $41.7 million and $43.7 million, respectively.

Governmental activities include revenue bonds outstanding at June 30, 2011, of $108.9 million issued by Washington State University. The bonds were issued to fund various capital construction projects.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $169.5 million, payable through 2034. For the current year, pledged revenue and debt service were $31.5 million and $7.1 million, respectively.

Governmental activities also include revenue bonds outstanding at June 30, 2011, of $54 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $86.7 million, payable through 2028. For the current year, pledged revenue and debt service were $3.7 million and $3.7 million, respectively.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2011, of $10.8 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the City in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $13.2 million, payable through 2022. For the current year, pledged revenue and debt service were $1.5 million and $1.5 million, respectively.

The state's colleges and universities issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues. These bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2011, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Parking Revenues (Net of Operating Expenses)	Bookstore Revenues
Current revenue pledged	$ 51,411	$ 37,439	$ 13,770	$ 949
Current year debt service	24,625	20,572	2,113	228
Total future revenues pledged *	612,048	474,914	35,518	4,953
Description of debt	Housing and dining bonds, issued in 1998-2010	Student facilities bonds, issued in 1996-2009 and refunding revenue bonds, issued in 2002-2006	Parking system and refunding revenue bonds, issued in 2004-2005	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining projects	Construction, renovation and improvements to student activity facilities and sports stadium	Construction of parking garage and improvements	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2013-2040	2019-2038	2024-2030	2034
Percentage of debt service to pledged revenues (current year)	47.9%	54.9%	15.3%	24.1%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2011, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2011, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2012	$ 84,814	$ 26,822	$ 8,508	$ 3,432	$ 93,322	$ 30,254
2013	50,484	16,120	6,460	2,062	56,944	18,182
2014	44,254	14,394	5,663	1,842	49,917	16,236
2015	38,169	12,821	4,884	1,640	43,053	14,461
2016	34,486	11,334	4,413	1,450	38,899	12,784
2017-2021	109,504	40,055	16,356	5,125	125,860	45,180
2022-2026	82,428	19,107	10,547	2,445	92,975	21,552
2027-2031	37,790	4,032	4,835	516	42,625	4,548
Total Debt Service Requirements	$ 481,929	$ 144,685	$ 61,666	$ 18,512	$ 543,595	$ 163,197

C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net assets.

Current Year Defeasances

Bonds

Governmental Activities. On August 10, 2010, the state issued $365.6 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $401.4 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $47.2 million gross debt service savings over the next 14 years and a net present value savings of $42.5 million.

On September 8, 2010, the state issued $401.4 million of various purpose general obligation refunding bonds with an average interest rate of 4.76 percent to refund $421.5 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $51.8 million gross debt service savings over the next 17 years and a net present value savings of $39.5 million.

On September 16, 2010, the state issued $394 million of motor vehicle fuel tax refunding bonds with an average interest rate of 4.67 percent to refund $416.7 million of motor vehicle fuel tax bonds with an average interest rate of 4.96 percent. The refunding resulted in a $56.9 million gross debt service savings over the next 17 years and a net present value savings of $43.7 million.

Business-Type Activities. On October 5, 2010, the University of Washington issued $10.4 million of general revenue and refunding revenue bonds with an average interest rate of 3.9 percent to refund $10.9 million of housing and dining revenue bonds with an average interest rate of 5 percent. The refunding resulted in a $991 thousand gross debt service savings over the next 21 years and an economic gain of $640 thousand.

Certificates of Participation (COPs)

On August 17, 2010, the state issued $9.3 million in refunding certificates of participation with an average interest rate of 1.50 percent to refund $11.1 million of certificates of participation with an average interest rate of 6.33 percent. The refunding resulted in a $440 thousand gross debt service savings over the next three years and a net present value savings of $413 thousand.

Prior Year Defeasances

In prior years, the state defeased certain general obligation bonds, revenue bonds, and certificates of participation by placing the proceeds of new bonds and certificates in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates.

Accordingly, the trust account assets and the liability for the defeased bonds and certificates are not included in the state's financial statements.

General Obligation Bond Debt

On June 30, 2011, $1.3 billion of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2011, $78.0 million of revenue bonded debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2011, $56.1 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2011, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the State Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings and equipment under capital leases as of June 30, 2011, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	$ 1,918	$ -
Buildings	14,041	4,512
Equipment	17,071	17,742
Less: Accumulated depreciation	(25,300)	(19,614)
Totals	$ 7,730	$ 2,640

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2011 (expressed in thousands):

Capital and Operating Leases	Capital Leases: Governmental Activities	Capital Leases: Business-Type Activities	Operating Leases: Governmental Activities	Operating Leases: Business-Type Activities
By Fiscal Year:				
2012	$ 2,876	$ 1,005	$ 106,185	$ 37,157
2013	1,941	946	94,841	38,553
2014	577	946	84,925	38,647
2015	252	937	71,917	38,916
2016	224	926	50,758	39,507
2017-2021	525	3,193	159,593	207,011
2022-2026	24	433	117,716	105,563
2027-2031	-	-	117,084	14,698
2032-2036	-	-	123,099	17,034
2037-2041	-	-	129,522	22,760
Total Future Minimum Payments	6,419	8,386	1,055,640	559,846
Less: Executory Costs and Interest Costs	(506)	(1,896)	-	-
Net Present Value of Future Minimum Lease Payments	$ 5,913	$ 6,490	$ 1,055,640	$ 559,846

The total operating lease rental expense for fiscal year 2011 for governmental activities was $270.9 million, of which $2.6 million was for contingent rentals. The total operating lease rental expense for fiscal year 2011 for business-type activities was $50.7 million.

E. CLAIMS AND JUDGMENTS

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation is a business-type activity, and risk management and health insurance are governmental activities. A description of the risks to which the state is exposed by these activities, and the ways in which the state handles the risks, is presented in Note 1.E.

Workers' Compensation

At June 30, 2011, $39.5 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $23.0 billion. These claims are discounted at assumed interest rates of 2.5 percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $23.0 billion as of June 30, 2011, include $11.7 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of $11.3 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2010 and 2011 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2010	$ 22,164,068	3,943,217	(2,081,453)	$ 24,025,832
2011	$ 24,025,832	1,016,932	(2,099,453)	$ 22,943,311

Risk Management

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except the University of Washington and the Department Transportation Ferries Division. The Fund reports a tort liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for tort claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense.

Because actual liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic or social factors.

The state is a defendant in a significant number of lawsuits pertaining to general and automobile liability matters.

As of June 30, 2011, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington, including actuarially projected defense costs were $702.6 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2011, the Risk Management Fund held $96.4 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2010 and 2011 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2010	$ 720,197	82,387	(47,425)	(28,023)	$ 727,136
2011	$ 727,136	86,297	(74,051)	(36,750)	$ 702,632

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2011, health insurance claims liabilities totaling $85.0 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claim liabilities during fiscal years 2010 and 2011 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2010	$ 83,441	879,324	(874,370)	$ 88,395
2011	$ 88,395	736,340	(739,745)	$ 84,990

F. POLLUTION REMEDIATION

The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 23 projects in progress for which the state has recorded a liability of $24.7 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2011, the state has recorded a liability of $143.5 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $168.2 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

The pollution remediation activity at some sites for which the state would otherwise have a reportable obligation is at a point where certain costs are not reasonably estimable. For example, a site assessment, remedial investigation, or feasibility study is in progress and the cleanup methodology has not yet been determined: and, consequently, associated future costs cannot be estimated.

The state's reported liability does not include remediation costs for future activities where costs are not yet reasonably estimable.

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2011, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for the fiscal year 2011 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 15,836,220	$ 2,078,825	$ 1,830,870	$ 16,084,175	$ 607,640
GO - zero coupon bonds (principal)	703,838	-	37,642	666,196	34,895
Subtotal - GO bonds payable	16,540,058	2,078,825	1,868,512	16,750,371	642,535
Accreted interest - GO - zero coupon bonds	366,515	26,666	-	393,181	-
Revenue bonds payable	742,998	26,359	29,666	739,691	26,615
Less: Deferred amounts for issuance discounts	(7,950)	640	-	(7,310)	-
Total Bonds Payable	17,641,621	2,132,490	1,898,178	17,875,933	669,150
Other Liabilities:					
Certificates of participation *	498,587	110,338	126,996	481,929	84,814
Claims and judgments	934,048	66,762	109,571	891,239	266,912
Installment contracts	2,670	4,500	158	7,012	96
Leases	14,286	663	9,036	5,913	2,720
Compensated absences	547,752	323,947	334,245	537,454	62,722
Unfunded pension obligations	191,389	63,436	20,505	234,320	-
Other postemployment benefits obligations	697,213	224,628	-	921,841	-
Pollution remediation obligations	174,353	6,413	12,547	168,219	-
Unclaimed property refunds	93,199	6,975	2	100,172	49
Other *	488,691	869,738	1,042,332	316,097	225,416
Total Other Liabilities	3,642,188	1,677,400	1,655,392	3,664,196	642,729
Total Long-Term Debt	$ 21,283,809	$ 3,809,890	$ 3,553,570	$ 21,540,129	$ 1,311,879

* Beginning balances restated as a result of fund reclassifications.

For governmental activities, certificates of participation are being repaid approximately 41 percent from the General Fund, 47 percent from the Higher Education Special Revenue Fund, and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 48 percent by the General Fund, 29 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 79 percent by the Risk Management Fund (an internal service fund), 10 percent by the Health Insurance Fund (an internal service fund), and the balance by various other governmental funds. The other postemployment benefits obligations liability will be liquidated approximately 52 percent by the General Fund, 28 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 85 percent by the Wildlife and Natural Resources Fund, a nonmajor governmental fund, and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for the fiscal year 2011 (expressed in thousands) is as follows:

Business-Type Activities	Beginning Balance July 1, 2010	Additions	Reductions **	Ending Balance June 30, 2011	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 32,510	$ -	$ 14,430	$ 18,080	$ 3,205
GO - zero coupon bonds (principal)	27,383	-	27,383	-	-
Subtotal - GO bonds payable	59,893	-	41,813	18,080	3,205
Accreted interest - GO - zero coupon bonds	41,760	-	41,760	-	-
Revenue bonds payable	1,083,945	373,366	34,144	1,423,167	53,020
Plus: Unamortized amounts issuance premiums	12,942	1,917	1,197	13,662	-
Less: Deferred amounts for issuance discounts	(483)	34	-	(449)	-
Less: Deferred gain/loss on bond refunding	(8,908)	614	223	(8,517)	-
Total Bonds Payable	1,189,149	375,931	119,137	1,445,943	56,225
Other Liabilities:					
Certificates of participation *	243,639	591	182,564	61,666	8,508
Less: Deferred amounts for issuance discounts	(1,019)	-	(1,019)	-	-
Claims and judgments	24,038,322	664,004	1,747,000	22,955,326	1,744,006
Lottery prize annuities payable	275,911	58,832	94,585	240,158	46,852
Tuition benefits payable	1,853,404	992,187	114,891	2,730,700	129,500
Leases	6,091	2,714	2,315	6,490	820
Compensated absences	59,200	29,210	27,419	60,991	28,687
Other postemployment benefits obligations	80,659	26,889	1,622	105,926	-
Other *	139,959	606,271	521,030	225,200	148,684
Total Other Liabilities	26,696,166	2,380,698	2,690,407	26,386,457	2,107,057
Total Long-Term Debt	$ 27,885,315	$ 2,756,629	$ 2,809,544	$ 27,832,400	$ 2,163,282

* Beginning balances restated as a result of fund reclassifications.

** Reductions include the defeasance of the bonds and certificates of participation of the Convention and Trade Center. As part of the agreement between the state and a newly created public facilities district, the public facility district issued $271 million in bonds and wired the proceeds to the state to refund the Convention and Trade Center debt held by the state.

Note 8

No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the state Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

These bonds do not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their faith and credit for the payment of such bonds.

Debt service on the bonds is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the bonds issued by these financing authorities are excluded from the state's financial statements.

The schedule below presents the June 30, 2011, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 3,736,479
Washington Higher Education Facilities Authority	671,779
Washington Health Care Facilities Authority	5,300,000
Washington Economic Development Finance Authority	768,613
Total No Commitment Debt	$ 10,476,871

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- **Nonspendable**. Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- **Restricted**. Balances that are restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments;
- **Committed**. Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the state Legislature;
- **Assigned.** Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned**. Residual balances that are not contained in the other classifications.

A summary of governmental fund balances at June 30, 2011, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 1,513,158	$ 187,446	$ 1,700,604
Consumable inventories	13,977	11,789	-	40,736	66,502
Petty cash	586	3,096	-	733	4,415
Investments	-	36,994	64,533	965	102,492
Student loans receivable - long-term	-	103,337	-	-	103,337
Other receivables – long-term	75,353	2,633	-	1,698,774	1,776,760
Total Nonspendable Fund Balance	89,916	157,849	1,577,691	1,928,654	3,754,110
Restricted for:					
Higher education	-	744,826	1,544,574	69,769	2,359,169
Education	-	-	35,893	4,774	40,667
Transportation	-	-	-	782,926	782,926
Other purposes	683	-	-	15,531	16,214
Human services	-	-	119	113,684	113,803
Wildlife and natural resources	12,736	-	-	139,812	152,548
Local grants and loans	6,844	-	-	281	7,125
School construction	2,446	-	-	64,444	66,890
State facilities	-	-	-	73,781	73,781
Budget stabilization	564	-	-	-	564
Debt service	-	-	-	86,897	86,897
Pollution remediation	-	-	-	113,266	113,266
Total Restricted Fund Balance	23,273	744,826	1,580,586	1,465,165	3,813,850
Committed for:					
Higher education	41,440	917,527	-	46,615	1,005,582
Education	-	-	-	1,322	1,322
Transportation	-	-	-	113,944	113,944
Other purposes	19,572	-	-	65,607	85,179
Human services	6,398	-	-	222,055	228,453
Wildlife and natural resources	26,619	-	-	411,443	438,062
Local grants and loans	4,048	-	-	53,412	57,460
State facilities	-	-	-	17,503	17,503
Debt service	-	-	-	203,095	203,095
Total Committed Fund Balance	98,077	917,527	-	1,134,996	2,150,600
Assigned for:					
Working capital	1,065,252	-	-	-	1,065,252
Other purposes	49,447	-	-	45	49,492
Total Assigned Fund Balance	1,114,699	-	-	45	1,114,744
Unassigned	(107,764)	-	-	(174,472)	(282,236)
Total Unassigned Fund Balance	(107,764)	-	-	(174,472)	(282,236)
Total Fund Balance	$ 1,218,201	$ 1,820,202	$ 3,158,277	$ 4,354,388	$ 10,551,068

B. BUDGET STABILIZATION ACCOUNT

In accordance with Article 7, Section 12 of the Washington State Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30th of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) If the governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) If the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) Any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

As June 30, 2011, the Budget Stabilization Account had restricted fund balance of $564 thousand.

Note 10
Deficit Fund Balance/Net Assets

State Route Number 520 Corridor Account

The State Route Number 520 Corridor Account within the Multimodal Transportation Fund, a special revenue fund, had deficit fund balance of $174.5 million at June 30, 2011.

The account administers the financing for and construction of the replacement of State Route Number 520 floating bridge and necessary landings.

Construction costs were incurred during fiscal year 2011, however tolling was not initiated nor construction bonds issued until after June 30, 2011, resulting in deficit fund balance at June 30, 2011.

The following schedule details the changes in fund balance for the State Route Number 520 Corridor Account during the fiscal year ended June 30, 2011 (expressed in thousands):

State Route Number 520 Corridor Account	Fund Balance (Deficit)
Balance, July 1, 2010	$ (986)
Fiscal year 2011 activity	(173,486)
Balance, June 30, 2011	$ (174,472)

Risk Management Fund

The Risk Management Fund, an internal service fund, had deficit net assets of $610.7 million at June 30, 2011. The Risk Management Fund is used to administer the Self-Insurance Liability Program. This program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division. The Self Insurance Liability Program, initiated in 1990, is intended to provide funds for the payment of all tort claims and defense expenses.

The Risk Management Fund is supported by premium assessments to state agencies. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined claims. As a consequence, when outstanding and incurred but not reported claims are actuarially determined and accrued, the result is deficit net assets.

The following schedule details the changes in net assets for the Risk Management Fund during the fiscal year ended June 30, 2011 (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2010	$ (616,115)
Fiscal year 2011 activity	5,400
Balance, June 30, 2011	$ (610,715)

Note 11
Retirement Plans

A. GENERAL

The state of Washington, through the Department of Retirement Systems, the Board for Volunteer Fire Fighters, and the Administrative Office of the Courts, administers 13 defined benefit retirement plans, three combination defined benefit/defined contribution retirement plans, and one defined contribution retirement plan covering eligible employees of the state and local governments.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

Investments

Pension plan investments are presented at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or independent advisors. The pension funds have no investments of any commercial or industrial organization whose market value exceeds 5 percent of each plan's net assets. Additional disclosure describing investments is provided in Note 3.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems comprising 12 defined benefit pension plans and three combination defined benefit/defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  Plan 1 - defined benefit
  Plan 2 - defined benefit
  Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
  Plan 1 - defined benefit
  Plan 2 - defined benefit
  Plan 3 – defined benefit/defined contribution

- School Employees' Retirement System (SERS)
  Plan 2 - defined benefit
  Plan 3 - defined benefit/defined contribution

- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  Plan 1 - defined benefit
  Plan 2 - defined benefit

- Washington State Patrol Retirement System (WSPRS)
  Plan 1 - defined benefit
  Plan 2 - defined benefit

- Public Safety Employees' Retirement System (PSERS)
  Plan 2 - defined benefit

- Judicial Retirement System (JRS)
  Defined benefit plan

- Judges' Retirement Fund (Judges)
  Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, WSPRS, and PSERS systems and plans was funded by an employer rate of 0.16 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

The Department of Retirement Systems prepares a stand-alone financial report. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or by visiting their website at: http:\\www.drs.wa.gov.

Board for Volunteer Fire Fighters. As established in chapter 41.24 RCW, the Washington Board for Volunteer Fire Fighters administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

Administrative Office of the Courts. As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

Higher Education. In addition to the retirement plans administered by the state of Washington, eligible higher education state employees may participate in privately administered Higher Education Retirement defined contribution plans.

Plan descriptions, funding policies, a table of employer contributions required and paid for defined benefit plans, schedules of funded status and funding progress, defined benefit pension plans valuations, annual pension cost, and three year trend information follow in Note 11.B through G, respectively. Information related to changes in actuarial assumptions and methods, and changes in benefit provisions are provided in Note 11.H and I. For information related to defined contribution plans, refer to Note 11.J. Details on plan net assets and changes in plan net assets of pension plans and other employee benefit funds administered by the state are presented in Note 11.K.

Membership of each state administered plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation for all plans:

Number of Participating Members

Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled To But Not Yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	53,742	1,979	8,409	598	64,728
PERS 2	22,043	23,513	86,770	33,056	165,382
PERS 3	1,114	3,368	10,342	17,351	32,175
TRS 1	36,015	701	4,533	58	41,307
TRS 2	2,320	2,467	5,973	3,469	14,229
TRS 3	2,235	5,782	31,379	20,913	60,309
SERS 2	3,311	4,758	14,385	5,973	28,427
SERS 3	2,073	4,942	17,856	14,125	38,996
LEOFF 1	8,008	1	301	-	8,310
LEOFF 2	1,639	781	13,119	3,656	19,195
WSPRS 1	851	119	806	-	1,776
WSPRS 2	-	6	122	159	287
PSERS 2	7	-	-	4,210	4,217
JRS	125	-	5	-	130
Judges	13	-	-	-	13
JRA	3	181	10	-	194
VFFRPF	3,708	6,118	4,076	6,735	20,637
Total	137,207	54,716	198,086	110,303	500,312

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2010:

Number of Participating Employers

Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions
PERS 1	144	227	158	180
PERS 2	179	-	271	494
PERS 3	166	-	205	302
TRS 1	49	263	-	-
TRS 2	25	288	-	-
TRS 3	28	302	-	-
SERS 2	-	299	-	-
SERS 3	-	300	-	-
LEOFF 1	-	-	48	14
LEOFF 2	8	-	214	152
WSPRS 1	1	-	-	-
WSPRS 2	1	-	-	-
PSERS 2	11	-	65	1
JRS	2	-	-	-
Judges	-	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	642

Employers can participate in multiple systems and/or plans.

B. PLAN DESCRIPTIONS

Public Employees' Retirement System

The Legislature established the Public Employees' Retirement System (PERS) in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

The Higher Education Retirement Plans are not administered by DRS. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the state Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/ defined contribution plan.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

PERS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund.

All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS.

During fiscal year 2011, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PERS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from PERS-covered employment.

PERS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced.

A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount (based on the Consumer Price Index), capped at 3 percent annually. Plan 1 retirees, after being retired one year, will receive the annual COLA adjustment in July if they turn 66 years of age any time in the calendar year in which the COLA is given. Plan 1 members may also elect to receive an additional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60.

A member with five years of membership service is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55.

The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A COLA is granted at age 66 based upon years of service times the COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. To offset the costs of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The surviving spouse or designated beneficiary of a Plan 1 member who dies after leaving eligible employment having earned ten years of service credit has the option of receiving either a monthly survivor benefit or a lump sum of the member's contributions plus interest.

LEOFF Plan 1 members who transferred service credit to PERS Plan 1 between July 1, 1997, and July 1, 1998, are permitted to include the years of transferred service in meeting the 25 years of member service requirement to qualify for up to five years of prior, or non-interruptive, military service.

PERS Plan 2 members are vested after completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service months.

Half time service credit is granted for members of PERS Plans 2 and 3 for educational employment prior to January 1, 1987.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old, can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a COLA is granted (based on the Consumer Price Index), capped at 3 percent annually.

Refunds provided to survivors of PERS Plan 2 members that leave eligible employment after earning ten years of service credit and are subsequently killed in uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom is increased from 100 to 200 percent of the accumulated contributions in the member's account.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component.

The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service months.

Effective June 7, 2006, PERS Plan 3 members may be vested in the defined benefit portion of their plan after ten years of service or after five years of service, if 12 months of that service are earned after age 44 or after 5 service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible to retire with full benefits at age 65 or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65;

- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same COLA as Plan 2. Refer to section J of this note for a description of the defined contribution component of PERS Plan 3.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service.

Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted (indexed to the Seattle Consumer Price Index) capped at 3 percent annually.

Beneficiaries of a PERS Plan 2 or 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; 5 years at no cost, and 5 years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury. PERS Plan 2 and Plan 3 members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit.

A $150,000 death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally or by a duty related illness, and proximately out of their covered employment, if found eligible by the Director of the Department of Labor and Industries.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Portability of retirement benefits allows for PERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for PERS Plan 1 and Plan 3 members was discontinued.

Additional COLAs were provided to PERS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for PERS Plan 2 and Plan 3 members.

Beginning January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier (JBM) Program enacted in 2006.

Justices or judges in PERS Plans 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC.

Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Members who chose to participate would:

- Accrue service credit at the higher multiplier beginning with the date of their election.
- Be subject to the benefit cap of 75 percent of AFC.
- Stop contributing to the Judicial Retirement Account (JRA).
- Pay higher contributions.
- Be given the option to increase the multiplier on past judicial service.

Members who did not choose to participate would:

- Continue to accrue service credit at the regular multiplier (i.e. 1 percent, 2 percent, or 3 percent).
- Continue to participate in JRA, if applicable.
- Never be a participant in the JBM program.
- Continue to pay contributions at the regular PERS rate.

Newly elected justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM program.

Members required to join the JBM program would:

- Return to prior PERS Plan if membership had previously been established.
- Be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member.
- Accrue the higher multiplier for all judicial service.
- Not contribute to JRA.
- Not have the option to increase the multiplier for past judicial service.

Judges and justices who are members of PERS may purchase prior judicial service credit at a higher multiplier at retirement.

During the period of January 1, 2009, through June 30, 2009, active and inactive PERS members who were not then serving as justices or judges, but who have served as such in the past, may request an increase in their benefit multiplier for past periods of judicial service and pay a cost that is the actuarial equivalent of the increase.

Material changes, if any, in PERS benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Teachers' Retirement System

The Teachers' Retirement System (TRS) was legislatively established in 1938. Eligibility for membership requires service as a certificated public school employee in an instructional, administrative or supervisory capacity. TRS is comprised principally of non-state employees. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the state Legislature.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan.

TRS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3.

TRS participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3.

TRS members hired on or after July 1, 2007, have 90 days to make an irrevocable choice to enroll in either Plan 2 or Plan 3. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to TRS Plan 3. Notwithstanding, TRS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

TRS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan.

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the TRS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS.

During fiscal year 2011, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in TRS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment. TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings.

Employees in TRS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from TRS-covered employment.

TRS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of

service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during the highest of any consecutive two compensation contract years), capped at 60 percent.

A COLA is granted at age 66 based upon years of service times the COLA amount, increased by 3 percent annually. Plan 1 retirees will receive the annual COLA adjustment in July if they turn 66 years of age any time in the calendar year in which the COLA is given. Plan 1 members may also elect to receive an additional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 1 provides death benefits as well as permanent and temporary disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-$400 (if retired with ten years of full-time membership), $400 (if inactive with ten years of membership), active members $600 (if employed full-time at time of death).

Members on temporary disability receive a monthly payment of $180 payable for up to two years, for the same occurrence. After five years of service, members on a disability retirement receive an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

TRS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits.

TRS Plan 2 members who have 30 or more years of service credit and are at least 55 years old, can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

There is no cap on years of service credit; and a COLA is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Effective June 7, 2006, TRS Plan 3 members may be vested in the defined benefit portion of the plan either after ten years of service or after five years of service, as long as 12 consecutive months of service were accrued after attainment of age 44. Plan 3 retirements prior to the age of 65 receive reduced benefits.

Vested TRS Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced 3 percent for each year before age 65, or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

There is no cap on years of service credit and Plan 3 provides the same COLA as Plan 2. Refer to section J of this note for a description of the defined contribution component of TRS Plan 3.

TRS Plan 2 and Plan 3 members who work for at least five months of a six-month period, from September through August, and earn 630 hours or more within that six-month period receive six months of service credit.

Plan 2 and Plan 3 members need have only two years of service credit in order to be eligible to purchase up to seven years of service credit for public education experience earned in another state or with the federal government.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3, the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Beneficiaries of a TRS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

TRS members can purchase service credit for military service that interrupts employment. Additionally, TRS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

TRS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

TRS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Active TRS Plan 2 and Plan 3 members may also make a one-time purchase of up to seven years of service credit for education experience earned in a state or federal public school outside the state of Washington. Completion of at least five years of service under TRS is required.

A $150,000 death benefit is provided to the estate (or duly designated nominee) of a TRS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment or duty related illness, if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for TRS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for TRS Plan 1 and Plan 3 members was discontinued. Additional COLAs were provided to TRS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for TRS Plan 2 and Plan 3 members.

Beginning January 1, 2007, through December 31, 2007, judicial members of TRS were given the choice to participate in the Judicial Benefit Multiplier (JBM) Program enacted in 2006.

Justices or judges in TRS Plan 1 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC.

Members who chose to participate would:

- Accrue service credit at the higher multiplier beginning with the date of their election.
- Be subject to the benefit cap of 75 percent of AFC.
- Stop contributing to the Judicial Retirement Account (JRA).
- Pay higher contributions.
- Be given the option to increase the multiplier on past judicial service.

Members who did not choose to participate would:

- Continue to accrue service credit at the regular multiplier (i.e. 2 percent).
- Continue to participate in JRA, if applicable.
- Never be a participant in the JBM program.
- Continue to pay contributions at the regular TRS rate.

Newly elected justices and judges who chose to become TRS members on or after January 1, 2007, or who had not previously opted into TRS membership, were required to participate in the JBM program. Members required to join the JBM program would:

- Return to prior TRS Plan if membership had previously been established.
- Accrue the higher multiplier for all judicial service.
- Not contribute to JRA.
- Not have the option to increase the multiplier for past judicial service.

Material changes, if any, in TRS benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

School Employees' Retirement System

The Legislature established the School Employees' Retirement System (SERS) in 2000. Membership in the system includes all classified employees of school districts

or educational service districts. SERS is comprised principally of non-state employees. SERS retirement benefit provisions are established in chapters 41.34 and 41.35 RCW and may be amended only by the state Legislature.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a combination defined benefit/defined contribution plan.

As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977, and by August 31, 2000, are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3.

SERS participants joining the system on or after September 1, 2000, and those who exercised their transfer option, are members of SERS Plan 3.

SERS members hired on or after July 1, 2007, have 90 days to make an irrevocable choice to enroll in either Plan 2 or Plan 3. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to SERS Plan 3. Notwithstanding, SERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

SERS is comprised of and reported as two separate plans: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan.

SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by DRS. During fiscal year 2011, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly.

Employees in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment. SERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings.
Employees in SERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from SERS-covered employment.

SERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

SERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65. SERS Plan 2 members who have 30 service credit years and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a COLA is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

Effective June 7, 2006, SERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after 5 years of service if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by September 1, 2000. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested SERS Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;

- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same COLA as Plan 2. Refer to section J of this note for a description of the defined contribution component of SERS Plan 3.

Effective after the January 2008 distribution, gain sharing for SERS Plan 3 members was discontinued and new alternative early retirement provisions were created for SERS Plan 2 and Plan 3 members.

SERS members can purchase service credit for military service that interrupts employment. Additionally, SERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit.

Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase service credit on behalf of the deceased member. SERS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

SERS provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Beneficiaries of a SERS member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

SERS members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit.

SERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Half time service credit is granted for members of SERS Plans 2 and 3 for educational employment prior to January 1, 1987.

SERS members who work for at least five months of a six-month period, from September through August, and earn 630 hours or more within that six-month period receive six months of service credit.

A $150,000 death benefit is provided to the estate (or duly designated nominee) of a SERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, or duty related illness if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for SERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Material changes, if any, in SERS benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Law Enforcement Officers' and Fire Fighters' Retirement System

The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters, and as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership.

LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the state Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS.

During fiscal year 2011, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A COLA is granted (indexed to the Seattle Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at age 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits.

Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. There is no cap on years of service credit; and a COLA is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 members may purchase up to five years of additional service credit at retirement. LEOFF Plan 2 members can also purchase service credit for military service that interrupts employment.

Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

Employer authorized shared leave received by LEOFF Plan 2 members from a non-state employer, must receive the same treatment in respect to service credit and FAS that a member would normally receive if using accrued annual leave or sick leave. This applies to directly and indirectly transferred leave, such as through a shared leave pool, and includes leave transferred prior to the effective date of the act providing that retirement contributions were made on the shared leave.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility.

The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option.

If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Plan 2 members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

For Emergency Medical Technicians who joined LEOFF Plan 2 as a result of 2003 and 2005 legislation, the five year waiting period is waived when they die or retire due to disability.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax.

Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of the FAS and 2 percent per year of service beyond five years. The first 10 percent of FAS is not subject to federal income tax.

LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of substantial gainful employment in any capacity in the future, can receive a catastrophic disability benefit from LEOFF Plan 2 equal to 70 percent of their FAS subject to offsets for workers' compensation and Social Security disability benefits received. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

Beneficiaries of a LEOFF Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applied to any member killed in the course of employment, or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members.

Eligible survivors of LEOFF Plan 2 members who are killed in the line of duty are reimbursed for the cost of on-going health care insurance coverage.

A $214,000 death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries sustained in the course of employment or dies from occupational disease or duty-related illness such as an infectious disease or cancer resulting from a job-related exposure, or duty related illness if found eligible by the Director of the Department of Labor and Industries. The death benefit amount is adjusted each year by the Seattle Consumer Price Index up to a maximum of 3 percent each year. This applies to all members of LEOFF Plan 2 killed in the course of employment since January 1, 2009.

Effective June 2009, domestic partners of LEOFF Plan 2 members are granted the same pension rights and options as spouses.

The optional lump sum payment payable upon remarriage is increased for LEOFF Plan 2 survivors of a member killed in the course of employment from 24 times the monthly allowance that the member was receiving at the time or remarriage to an amount equal to 36 times the monthly allowance.

Portability of retirement benefits allows for LEOFF Plan 2 members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Department of Fish and Wildlife Enforcement Officers can transfer service credit earned as an enforcement officer in PERS Plan 2 or PERS Plan 3 to LEOFF Plan 2. Member, employer and state contribution rates will increase to the extent necessary to fund the difference in the value of the service credit transferred between the plans and the member contributions transferred into LEOFF Plan 2.

Active LEOFF members can choose whether or not to obtain and pay for Medicare coverage through a "divided referendum" process.

Material changes, if any, in LEOFF benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Washington State Patrol Retirement System

The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the state Legislature.

WSPRS is a single-employer defined benefit retirement system. WSPRS participants who joined the system by December 31, 2002, are Plan 1 members. Those who joined on or after January 1, 2003, are Plan 2 members.

For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to WSPRS accrue interest at a rate specified by DRS.

During fiscal year 2011, the DRS-established rate on employee contributions was 5.364 percent annually, compounded monthly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS member contribution rates will be no more than 7 percent of pay plus half the cost of any future benefit improvements. Employers will pay the contribution rate required to cover all system costs that are not covered by the member contribution rate. Also a minimum total contribution rate is established for WSPRS, beginning July 1, 2010.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service.

The annual pension is 2 percent of the average final salary (AFS), capped at 75 percent, per year of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

The WSPRS mandatory retirement age is 65, but does not apply to the member serving as chief of the Washington State Patrol.

WSPRS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

WSPRS benefit provisions include death benefits; however, the system provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability.

A $150,000 death benefit is provided to the estate (or duly designated nominee) of a WSPRS Plan 1 member who dies as a result of injuries sustained in the course of employment or dies from occupational disease or duty-related illness such as an infectious disease or cancer resulting from a job-related exposure, or duty related illness if found eligible by the Director of the Department of Labor and Industries.

The spouse and dependent children of a WSPRS member who is killed in the course of employment will be reimbursed for any payments of medical premiums to the Washington State Health Care Authority.

For WSPRS Plan 1 members, AFS is based on the average of the two highest-paid service credit years and excludes voluntary overtime.

Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each surviving child, with a limitation on the combined allowances of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of AFS.

For WSPRS Plan 2 members, AFS is based on the average of the five consecutive highest-paid service credit years and excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, Plan 2 members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

Death benefits for active-duty Plan 2 members consist of the following: (1) If the member is single or has less than ten years of service, the return of the member's accumulated contributions; or (2) If the member is married, has an eligible child, or has completed ten years of service, a reduced benefit allowance reflecting a joint and 100 percent survivor option or 150 percent of the member's accumulated contributions, at the survivor's option.

Effective June 2009, state-registered domestic partners are granted the ability to receive the survivor and death benefits available to spouses.

A $214,000 death benefit is provided to the estate (or duly designated nominee) of a WSPRS Plan 2 member who dies as a result of injuries sustained in the course of employment or dies from occupational disease or duty-related illness such as an infectious disease or cancer resulting from a job-related exposure, or duty related illness if found eligible by the Director of the Department of Labor and Industries. The death benefit amount is adjusted each year by the Seattle Consumer Price Index up to a maximum of 3 percent each year. This applies to all members of WSPRS Plan 2 killed in the course of employment since January 1, 2009.

WSPRS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, WSPRS Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

Beneficiaries of a WSPRS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not of normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

Compensation for members of WSPRS Plans 1 and 2 who become totally disabled during the line of duty includes any payments for premiums for employer-provided medical insurance.

Material changes, if any, in WSPRS benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Public Safety Employees' Retirement System

The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS pension benefit provisions have been established by chapter 41.37 RCW and may be only amended by the state Legislature. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:

- Full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and,
- Full-time employees hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board, and Department of Natural Resources;
- Washington state counties;
- Washington cities except for Seattle, Tacoma and Spokane; and
- Interlocal corrections agencies.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PSERS defined benefit plans accrue interest at a rate specified by DRS.

During fiscal year 2011, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PSERS can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS benefits are vested after an employee completes five years of eligible service. PSERS members may retire at the age 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of 2 percent of the average final compensation (AFC) per year of service.

The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PSERS members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

PSERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

PSERS provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

PSERS members may purchase up to 24 consecutive months of service credit (up from 12 months) for each period of temporary duty disability.

Beneficiaries of a PSERS member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A $150,000 death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, or duty related illness if found eligible by the Director of the Department of Labor and Industries.

The optional lump sum payment payable upon remarriage is increased for PSERS Plan 2 survivors of a member killed in the course of employment from 24 times the monthly allowance that the member was receiving at the time or remarriage to an amount equal to 36 times the monthly allowance.

Portability of retirement benefits allows for PSERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Material changes, if any, to PSERS benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Judicial Retirement System

The Judicial Retirement System (JRS) was established by the Legislature in 1971. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971. The system was closed to new entrants on July 1, 1988, with new judges joining PERS Plan 2. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the state Legislature.

JRS is an agent multiple-employer retirement system comprised of a single defined benefit plan. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, employee contributions, and a special funding situation in which the state pays the remaining contributions.

During fiscal year 2011, the DRS established rate on employee contributions was 5.5 percent, compounded quarterly. JRS employees who are vested in the plan may not elect to withdraw their contributions upon termination.

However, any JRS member that left the system before July 1, 1988, or his/her spouse, who was ineligible to receive a benefit at that time, may apply and receive a refund of such contributions from DRS, if said contributions have not been already refunded via a sundry claims appropriation from the state Legislature.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service.

The benefit per year of service calculated as a percent of average final compensation (AFC) is the table below. This benefit is capped at 75 percent of AFC, exclusive of cost of living increases.

Term of Service	Percent of AFC
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires ten or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit a member would have received if retired.

If the member is retired, the surviving spouse receives the greater of 50 percent of the member's retirement benefit or 25 percent of the AFC. For members with ten or more years of service, a disability benefit of 50 percent of AFC is provided.

Material changes, if any, in JRS benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Judges' Retirement Fund

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, to provide retirement benefits to judges of the Supreme Court, Court of Appeals, or Superior Courts of the state of Washington.

Subsequent legislation required that all judges, first appointed or elected to office on or after August 1, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the state Legislature.

The Judges' Retirement Fund is an agent multiple-employer retirement system comprised of a single defined benefit plan. There are currently no active members in this plan.

Retirement benefits were financed on a pay-as-you-go basis from a combination of past employee contributions, past employer contributions, and a special funding situation in which the state paid the remaining contributions. Retirees did not earn interest on their contributions, nor could they elect to withdraw their contributions upon termination.

Judges' members are eligible for retirement at the age of 70 with ten years of service, or at any age with 18 years of service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge. With the exception of a partial retirement allowance, the member receives a benefit equal to one-half of the monthly salary being received as a judge at the time of retirement, or at the end of the term immediately prior to retirement if retirement occurs after the expiration of the member's term in office. A partial retirement allowance is based on the proportion of the member's 12 or more years of service in relation to 18 years of service.

Material changes, if any, in benefit provisions for Judges for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. Membership in the system requires volunteer firefighter service with a fire department of an electing municipality of Washington State, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

Retirement benefits are established in chapter 41.24 RCW and may be amended only by the state Legislature.
The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing multiple-employer retirement system that provides death and active duty disability benefits to all members, and optional defined benefit pension plan payments. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and a special funding situation where the state pays the remaining contributions. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service. The maximum monthly benefit is $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $152,000. Funeral and burial expenses are also paid in a lump sum of $2,000 for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Members on active duty shall receive disability payments of $2,550 per month for up to six months; thereafter, payments are reduced. Disabled members receive $1,275 per month, their spouse $255, and dependent children $110.

Effective June 10, 2010, members of the VFFRPF retirement system with vested pensions who have reached age 65 may, under certain conditions, retire from service, draw their pensions, and return to service. Additional service does not count toward the pension, and members cannot draw disability compensation.

Departments opting to allow their members to participate in the retire-rehire program agree to pay for annual physicals and an additional surcharge.

Effective July 22, 2007, vocational rehabilitation may be paid for disabled members who are unable to return to their previous employment. Members that qualify are subject to a $4,000 maximum limit and are required to follow certain conditions established by the board and authorized by chapter 41.24 RCW.

Effective July 1, 2001, the disability income benefits and the maximum survivor benefits under the Relief Plan are increased for increases in the Consumer Price Index.

Material changes, if any, in VFFRPF benefit provisions for the fiscal year ended June 30, 2011, are listed in the table at the end of this section.

Material Legislative Changes to Pension Plans

For the Fiscal Year Ended June 30, 2011

System/Plan Affected	Effective Date	Description of the changes
PERS Plan 3, TRS Plan 3, and SERS Plan 3	6/30/10 - 6/30/11	The Employee Retirement Benefits Board was abolished and its former duties were transferred to the Department of Retirement Systems (DRS) Director. Said duties include providing recommendations to the WSIB on self-directed investment options for defined contribution plans, determining the payment options for plan 3 members, ratifying administrative charges assessed to members who participate in self-directed investment options and providing recommendations on investment options for the Deferred Compensation Plan (Chapter 7, Laws of 2010).
PERS Plan 1 and TRS Plan 1	6/30/11	The automatic annual benefit increase for retirees/beneficiaries in PERS Plan 1 and TRS Plan 1 is eliminated. Additionally, the minimum employer contribution rates for the unfunded liability of both of these plans are lowered, and the Adjusted Minimum Benefit limit is increased to $1,545 per month (Chapter 362, Laws of 2011).

C. FUNDING POLICIES

With the exception of LEOFF Plan 2, the Legislature provided for minimum contribution rates for all retirement plans (Chapter 561, Laws of 2009). The LEOFF Plan 2 Retirement Board provided for minimum contribution rates for the LEOFF Plan 2. These minimum rates will go into effect beginning with the 2011-13 biennium.

As part of Substitute House Bill 2021, the Legislature reduced the Plan 1 UAAL minimum rates starting in 2015 to 3.5 percent in PERS and to 5.75 percent in TRS.

The table at the end of this section provides the required contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of fiscal year 2011.

Public Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under the Public Employees' Retirement System (PERS) Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion.

The Director of DRS sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employer and employee rates were developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Teachers' Retirement System

Each biennium the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state elected officials.

The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature.

Under the Teachers' Retirement System (TRS) Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion.

The Director of DRS sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates were developed to fund, along with investment earnings, the increased retirement benefits of those judges that participate in the program.

The required employer contribution rate for a TRS employer of Supreme Court Justices, Court of Appeals Judges and Superior Court Judges equals the TRS contribution rate. The required member contribution rate of TRS Plan 1 Supreme Court Justices, Court of Appeals Judges and Superior Court Judges is the TRS Plan 1 rate of 6 percent plus 3.76 percent of pay. These higher rates, along with investment earnings, are intended to fund the increased retirement benefits of those judges that choose to participate in the JBM program.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

School Employees' Retirement System

Each biennium the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under the School Employees' Retirement System (SERS) Plan 3, employer contributions finance

the defined benefit portion of the plan and member contributions finance the defined contribution portion.

The Director of DRS sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in chapters 41.35 and 41.45 RCW.

Law Enforcement Officers' and Fire Fighters' Retirement System

Beginning July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Retirement Board. All employers are required to contribute at the level required by state statute.

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 and Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board.

However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2011, the state contributed $52.0 million to LEOFF Plan 2.

Washington State Patrol Retirement System

Each biennium, the state Pension Funding Council adopts the employee and the state contribution rates. The employee and the state contribution rates are developed by the Office of the State Actuary to fully fund the plan. State statute also requires employees to contribute at a rate of at least 4.85 percent.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 43.43 and 41.45 RCW.

Public Safety Employees' Retirement System

Each biennium the state Pension Funding Council adopts Plan 2 employers and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature.

The methods used to determine the contribution requirements are established under state statute in chapters 41.37 and 41.45 RCW.

Judicial Retirement System

Contributions made are based on rates set in chapter 2.10 RCW. By statute, employees are required to contribute 7.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judicial Retirement System on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2011, the state contributed $10.9 million.

Judges' Retirement Fund

Contributions made are based on rates set in chapter 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. As of June 30, 2008, there are no active members remaining in the Judges Retirement Fund and member contributions are no longer collected. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2011, however, no appropriations or contributions were made.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

The retirement provisions of Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) are funded through member contributions of $30 per year, varying employer contributions, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW.

Employers consist of fire departments, emergency medical service districts and law enforcement agencies. The contribution rate for fire districts is set by the Legislature and was $30 per member for the years 2010 and 2011. The rate for emergency medical service districts and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters' and Reserve Officers' Relief and Pension, based on the actual cost of participation as determined by the Office of the State Actuary. For the year 2011, the rate was $90 per member. Employers may opt to pay the member's fee on their behalf.

VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Administrative expenses are funded through fire insurance premium taxes and are maintained in a separate fund. Amounts not needed for administrative expenses are transferred to VFFRPF.

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans at the close of fiscal year 2011 were as follows:

Actual Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Members Not Participating in JBM						
State agencies*	5.31%	5.31%	5.31%**	6.00%	3.90%	***
Local governmental units*	5.31%	5.31%	5.31%	6.00%	3.90%	***
State govt elected officials*	7.89%	5.31%	5.31%**	7.50%	3.90%	***
Members Participating in JBM						
State agencies*	7.81%	7.81%	7.81%**	9.76%	7.25%	7.50%****
Local governmental units*	5.31%	5.31%	5.31%**	12.26%	9.75%	7.50%****
TRS						
Members Not Participating in JBM						
State agencies*	6.14%	6.14%	6.14%**	6.00%	3.36%	***
Local governmental units*	6.14%	6.14%	6.14%**	6.00%	3.36%	***
State govt elected officials*	6.14%	6.14%	6.14%**	7.50%	3.36%	***
Members Participating in JBM						
State agencies*	6.14%	N/A	N/A	9.76%	N/A	N/A
SERS						
State agencies*	N/A	5.45%	5.45%**	N/A	3.15%	***
Local governmental units*	N/A	5.45%	5.45%**	N/A	3.15%	***
LEOFF						
Ports and universities*	N/A	8.62%	N/A	N/A	8.46%	N/A
Local governmental units*	0.16%	5.24%	N/A	N/A	8.46%	N/A
State of Washington	N/A	3.38%	N/A	N/A	N/A	N/A
WSPRS						
State agencies*	6.57%	6.57%	N/A	5.09%	5.09%	N/A
PSERS						
State agencies*	N/A	7.85%	N/A	N/A	6.55%	N/A
Local governmental units*	N/A	7.85%	N/A	N/A	6.55%	N/A

N/A indicates data not available.

* Includes an administrative expense rate of 0.16%.

** Plan 3 defined benefit portion only.

*** Variable from 5% to 15% based on rate selected by the member.

**** Minimum rate.

D. EMPLOYER CONTRIBUTIONS REQUIRED AND PAID

The following table presents the state of Washington's required contributions in millions of dollars to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

	2011	2010	2009
PERS Plan 1	$ 72.3	$ 78.2	$ 169.0
PERS Plan 2/3	158.0	160.4	217.6
TRS Plan 1	4.4	5.6	8.0
TRS Plan 2/3	0.7	0.8	0.8
SERS Plan 2/3	0.0	0.0	0.0
PSERS Plan 2	8.0	7.8	7.7
LEOFF Plan 1	0.0	0.0	0.0
LEOFF Plan 2	52.9	52.2	52.0
VFFRPF	5.7	5.7	5.2

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

E. FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation date, is as follows (dollars in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS Plan 1	$ 9,293.0	$ 12,538.1	$ 3,245.1	74%	$ 507.3	640%
PERS Plan 2/3*	19,474.1	20,028.8	554.7	97%	8,206.2	7%
TRS Plan 1	7,791.3	9,201.3	1,410.0	85%	344.0	410%
TRS Plan 2/3*	6,593.3	6,557.8	(35.5)	101%	3,965.5	0%
SERS Plan 2/3*	2,664.1	2,705.5	41.4	98%	1,475.0	3%
LEOFF Plan 1	5,560.9	4,393.3	(1,167.6)	127%	29.1	0%
LEOFF Plan 2*	6,042.7	5,163.6	(879.1)	117%	1,490.1	0%
WSPRS Plan 1/2*	919.6	812.1	(107.5)	113%	82.5	0%
PSERS Plan 2*	102.9	94.1	(8.8)	109%	227.4	0%
JRS	3.8	83.8	80.0	5%	0.7	11,565%
Judges	2.8	3.2	0.4	87%	-	N/A
VFFRPF	165.6	165.6	-	100%	N/A	N/A

N/A indicates data not applicable

* These plans use the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. For this reason, the information shown above has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of these plans.

Source: Washington State Office of the State Actuary

Defined Benefit Pension Plans Administered by the State

For the Fiscal Year Ended June 30, 2011

The information was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
Valuation date	6/30/2010	6/30/2010	6/30/2010	6/30/2010	6/30/2010
Actuarial cost method	Entry age normal[1]	Aggregate[2]	Entry age normal[1]	Aggregate[2]	Aggregate[2]
Amortization method					
Funding	Level %[4]	N/A	Level %[4]	N/A	N/A
GASB	Level $	N/A	Level $	N/A	N/A
Remaining amortization years (closed)	10-year rolling	Open plan	10-year rolling	Open plan	Open plan
Remaining amortization period (closed)	N/A	N/A	N/A	N/A	N/A
Asset valuation method	8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]
Actuarial assumptions					
Investment rate of return[9]	8.00%	8.00%	8.00%	8.00%	8.00%
Projected salary increases					
Salary inflation at 4.5%, plus the merit increases described below[5]:					
Initial salary merit (grades down to 0%)	6.1%	6.1%	5.8%	5.8%	6.9%
Merit period (years of service)	17 yrs	17 yrs	26 yrs	26 yrs	20 yrs
Includes inflation at	N/A	3.50%	N/A	3.50%	3.50%
Cost of living adjustments	Minimum COLA[7]	CPI increase, maximum 3%	Minimum COLA[7]	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

[1] PERS and TRS Plans 1 use a variation of the entry age normal (EAN) cost method, whereas LEOFF Plan 1 uses a variation of the frozen initial liability (FIL) cost method.

[2] The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

[3] Pay as you go basis for funding.

[4] Level percent of system payroll, including system growth.

[5] LEOFF Plan 2 assumes 4.5% salary inflation.

[6] Asset Valuation Method - 8 year smoothed fair value: The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years, the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition). The VFFRPF annual gain/loss is centered around a 7% expected rate of return instead of 8%.

Annual Gain/Loss			Annual Gain/Loss		
Rate of Return	**Smoothing Period**	**Annual Recognition**	**Rate of Return**	**Smoothing Period**	**Annual Recognition**
15% and up	8 years	12.50%	6-7%	2 years	50.00%
14-15%	7 years	14.29%	5-6%	3 years	33.33%
13-14%	6 years	16.67%	4-5%	4 years	25.00%
12-13%	5 years	20.00%	3-4%	5 years	20.00%
11-12%	4 years	25.00%	2-3%	6 years	16.67%
10-11%	3 years	33.33%	1-2%	7 years	14.29%
9-10%	2 years	50.00%	1% and lower	8 years	12.50%
7-9%	1 year	100.00%			

LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	VFFRPF[8]
6/30/2010	6/30/2010	6/30/2010	6/30/2010
Frozen initial liability[1]	Aggregate[2]	Aggregate[2]	Entry age[8]
Level %[4]	N/A	N/A	Level $
Level $	N/A	N/A	Level $
14	Open plan	Open plan	Open plan
6/30/2024	N/A	N/A	15-year rolling
8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]	8-year graded smoothed fair value[6]
8.00%	8.00%	8.00%	7.00%
11.0%	11.0%	6.1%	N/A
21 yrs	21 yrs	17 yrs	N/A
3.50%	3.50%	3.50%	N/A
CPI increase	CPI increase maximum 3%	CPI increase, maximum 3%	None

[7] The PERS Plan 1 and TRS Plan 1 COLA: Qualifying retirees receive an increase in their monthly benefit once a year. The COLA on minimum benefit levels is calculated as the last unrounded COLA amount increased by 3%, rounded to the nearest penny. These are some historical monthly COLA amount per year of service:

Date	COLA Type	Amount
7/1/2002	Uniform	$1.14
7/1/2003	Uniform	$1.18
7/1/2004	Uniform	$1.21
7/1/2005	Uniform	$1.25
7/1/2006	Uniform	$1.29
7/1/2007	Uniform	$1.33
7/1/2008	Uniform	$1.73
7/1/2009	Uniform	$1.83
7/1/2010	Uniform	$1.88
7/1/2010	Uniform	$1.88
7/1/2011	Uniform	$1.94

[8] VFFRPF uses the entry age funding method for pensions, and the pay-as-you-go method for the relief costs.

[9] The Legislature prescribes the assumed rate of investment return for all plans.

F. ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Current year annual pension cost, net pension obligation (NPO) and related information for the current year for the state's single employer and agent multiple-employer defined benefit plans are as follows (dollars in millions):

	WSPRS	JRS	Judges
Annual pension cost and net pension obligation:			
Annual required contribution	$2.3	$18.6	$0.1
Interest on NPO	(0.9)	5.8	(0.1)
Adjustment to annual required contribution	1.4	(16.7)	0.3
Annual pension cost	6.8	7.7	0.3
Less: Contributions made	5.3	10.9	0.0
Increase (decrease) in NPO	1.5	(3.2)	0.3
NPO at beginning of year	(11.4)	71.8	(1.1)
NPO at end of year	$(9.9)	$68.6	$(0.8)
Actuarial assumptions:			
Valuation date	6/30/2010	6/30/2010	6/30/2010
Actuarial cost method	Aggregate*	Entry age	Entry age
Amortization method	N/A	Level $	Level $
Remaining amortization period (closed)	N/A	5-year rolling	5-year rolling
Asset valuation method	8 year graded smoothed fair value	Market	Market
Investment rate of return***	8%	8%	8%
Projected salary increases	4.0%**	4.0%	N/A
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	CPI increase, maximum 3%	CPI increase, maximum 3%	none

* The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

** WSPRS also assumes a variable salary merit increase for a merit period of 25 years.

***The Legislature prescribes the assumed rate of investment return.

G. THREE YEAR HISTORICAL TREND INFORMATION

The following table presents three-year trend information in millions for the plans listed:

	2011	2010	2009
WSPRS			
Annual pension cost	$ 6.8	$ 7.1	$ 5.0
% of APC contributed	77.2	74.2	127.4
NPO	$ (9.9)	$ (11.4)	$(13.4)
JRS			
Annual pension cost	$ 7.7	$ 9.1	$ 9.8
% of APC contributed	141.6	127.5	105.1
NPO	$ 68.6	$ 71.8	$ 74.3
Judges			
Annual pension cost	$ 0.3	$ 0.2	$ 0.2
% of APC contributed	0.0	0.0	0.0
NPO	$ (0.8)	$ (1.1)	$ (1.3)

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

H. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

There were no changes in actuarial assumptions for the fiscal year 2011 reporting period.

The method for estimating WSPRS Plan 1 standard survivor benefit liabilities was improved by replacing an estimated survivor benefit reduction with factors found in WAC 415-103-215.

I. CHANGES IN BENEFIT PROVISIONS

Effective June 30, 2011, the automatic annual benefit increase for retirees/beneficiaries in PERS Plan 1 and TRS Plan 1 is eliminated. Additionally, the minimum employer contribution rates for the unfunded liability of both of these plans are lowered, and the Adjusted Minimum Benefit limit is increased to $1,545 per month.

J. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

Eligible employees include: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3.

PERS participants who joined the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3.

The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Refer to section B of this note for PERS plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance the defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses incurred in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS Plan 2/3 defined benefit plan.

For fiscal year 2011, employee contributions required and made were $94.1 million, and plan refunds paid out were $59.1 million.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS participants who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. Refer to section B of this note for TRS plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance the defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses incurred in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the same portfolio as that of the TRS Plan 2/3 defined benefit plan.

For fiscal year 2011, employee contributions required and made were $257.7 million and plan refunds paid out were $115.6 million.

School Employees' Retirement System Plan 3

The School Employees' Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

Eligible employees include classified employees of school districts and educational service districts who joined PERS Plan 2 on or after October 1, 1977, and by August 31, 2000, and were transferred to SERS Plan 2 on September 1, 2000.

Members transferred from PERS Plan 2 to SERS Plan 2 may exercise an option to transfer their membership to SERS Plan 3. SERS participants joining the system on or after September 1, 2000, and before July 1, 2007, are also members of SERS Plan 3. SERS members hired on or after July 1, 2007, have 90 days to choose between SERS Plan 2 and SERS Plan 3. Individuals who fail to make a choice will default to SERS Plan 3. Refer to section B of this note for SERS plan descriptions.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance the defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

SERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses incurred in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the same portfolio as that of the SERS Plan 2/3 defined benefit plan.

For fiscal year 2011, employee contributions required and made were $60.3 million and plan refunds paid out were $53.2 million.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts, under the direction of the Board for Judicial Administration.

Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

Member contributions equal 2.5 percent of covered salary and the state, as employer, matches this amount. Contributions are collected by the Administrative Office of the Courts. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the state Legislature.

Beginning January 1, 2007, through December 31, 2007, any judicial members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) eligible to participate in JRA were able to make a one-time irrevocable election to discontinue future contributions to JRA, in lieu of prospective contributions to the Judicial Benefit Multiplier Program (JBM).

Beginning January 1, 2007, any newly elected or appointed Supreme Court justice, Court of Appeals judge or Superior Court judge is no longer able to participate in JRA and is enrolled in the JBM (enacted in 2006). As of June 30, 2008, 189 JRA member judges have elected to enroll in JBM.

Current-year covered payroll for JRA employees was $1.5 million for the fiscal year ended June 30, 2011. For fiscal year 2011, the contribution requirement for JRA was $86 thousand. Actual employer and employee contributions were $43 and $43 thousand respectively. Plan benefits paid out for fiscal year 2011 totaled $445 thousand.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (SIB) for investment services. DRS is responsible for all record keeping, accounting, and reporting of member accounts. As of April 2006, DRS also became responsible for collection of JRA contributions.

The SIB has the full power to establish investment policy, develop participant investment options, and manage the investment funds from the JRA plan, consistent with the provisions of RCW 2.14.080 and RCW 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental plan component. As authorized by RCW 28B.10, the plans cover higher education faculty and other positions as designated by each institution. The state and regional universities, the state college, and the state community and technical colleges each participate in a plan. Effective June 2010, eligible employees of the Higher Education Coordinating Board have the ability to participate in the Higher Education Retirement Plan instead of the Public Employees' Retirement System.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28.B.10.400 et. seq. assigns the authority to establish and amend benefit provisions to: the board of regents of the state universities, the boards of trustees of the regional universities and the state college, and the state board for community colleges.

Employee contribution rates, based on age, range from 5 to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

Effective July 29, 2009, domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal laws.

For fiscal year 2011, covered payroll was $1.9 billion. Employer and employee contributions were $162.4 and $162.4 million respectively, for a total of $324.8 million. These contribution amounts represent approximately 8.4 percent each of covered payroll for employers and employees.

The plans have a supplemental payment component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. Institutions make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. The supplemental component is financed on a pay-as-you-go basis.

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2011. The previous valuation was performed in 2009.

The Unfunded Actuarial Accrued Liability (UAAL) calculated as of June 30, 2011, and 2009, was $352.3 million and $314.0 million, respectively, and is amortized over a 13 year period.

The Annual Required Contribution (ARC) of $49.8 million consists of amortization of the UAL ($28.9 million) and normal cost (or current cost) ($19.9 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4.3 to 8 percent and projected salary increases ranging from 2 to 4 percent. Approximately $1.9 billion and $1.8 billion of payroll were covered under these plans during 2011 and 2009, respectively.

The following table reflects the activity in the Net Pension Obligation (NPO) for the years ended June 30 (expressed in millions):

	2011	2010	2009
Annual required contribution	$ 49.8	$ 43.5	$43.1
Payments to beneficiaries	(3.7)	(3.7)	(1.9)
Increase (decrease) in NPO	46.1	39.8	41.2
NPO at beginning of year	119.6	79.8	38.6
NPO at end of year	$165.7	$119.6	$79.8

K. PLAN NET ASSETS AND CHANGES IN PLAN NET ASSETS

The Combining Statement of Plan Net Assets that follows presents the principal components of receivables, investments, and liabilities. The Combining Statement of Changes in Plan Net Assets presents the additions and deductions to plan net assets.

Combining Statement of Plan Net Assets
Pension and Other Employee Benefit Funds

June 30, 2011

(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution
ASSETS						
Cash and pooled investments	$ 45,767	$ 118,442	$ 145	$ 38,971	$ 57,952	$ 4,304
Receivables:						
Employer accounts receivable	3,783	36,611	4,409	2,777	18,385	22,112
Member accounts receivable (net of allowance)	662	169	-	404	7	-
Due from other funds	2	4	316	2	730	-
Due from other pension and other employee benefit funds	171	-	-	-	610	-
Interest and dividends	24,218	59,300	2,863	20,436	20,144	8,886
Investment trades pending	411,624	1,032,905	24,345	347,344	418,141	75,553
Total Receivables	440,460	1,128,989	31,933	370,963	458,017	106,551
Investments, Noncurrent:						
Public equity	3,135,972	7,683,762	1,085,286	2,646,265	2,610,026	3,143,195
Fixed income	1,545,494	3,786,772	182,816	1,304,152	1,286,293	567,346
Private equity	2,051,011	5,025,389	242,613	1,730,728	1,707,027	752,920
Real estate	1,129,487	2,767,471	133,606	953,108	940,056	414,631
Security lending	357,169	875,135	42,249	301,394	297,266	131,116
Liquidity	245,190	620,298	34,905	209,537	213,123	104,785
Tangible assets	94,416	231,339	11,168	79,672	78,581	34,660
Total Investments, Noncurrent	8,558,739	20,990,166	1,732,643	7,224,856	7,132,372	5,148,653
Total Assets	9,044,966	22,237,597	1,764,721	7,634,790	7,648,341	5,259,508
LIABILITIES						
Obligations under security lending agreements	357,169	875,135	42,249	301,394	297,267	131,115
Accrued liabilities	509,700	1,264,282	33,120	430,658	511,449	95,288
Due to other funds	41	935	-	28	306	732
Due to other pension and other employee benefit funds	176	158	-	610	-	-
Unearned revenues	109	361	-	140	121	-
Total Liabilities	867,195	2,140,871	75,369	732,830	809,143	227,135
NET ASSETS						
Net assets held in trust for:						
Pension Benefits	8,177,771	20,096,726	1,689,352	6,901,960	6,839,198	5,032,373
(Schedule of Funding Progress by Plan begins on Page 161)						
Deferred compensation participants	-	-	-	-	-	-
Total Net Assets	$ 8,177,771	$ 20,096,726	$ 1,689,352	$ 6,901,960	$ 6,839,198	$ 5,032,373

Combining Statement of Plan Net Assets
Pension and Other Employee Benefit Funds

June 30, 2011

(expressed in thousands)

continued

	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	PSERS Plan 2
ASSETS						
Cash and pooled investments	$ 23,244	$ 1,038	$ 28,890	$ 35,823	$ 5,385	$ 1,106
Receivables:						
Employer accounts receivable	6,822	5,141	-	15,524	407	1,860
Member accounts receivable (net of allowance)	5	-	76	51	5	-
Due from other funds	203	-	-	1	-	1
Due from other pension and other employee benefit funds	176	-	-	-	-	10
Interest and dividends	8,091	2,760	15,343	18,744	2,644	410
Investment trades pending	161,076	23,470	260,856	318,776	44,958	6,960
Total Receivables	176,373	31,371	276,275	353,096	48,014	9,241
Investments, Noncurrent:						
Public equity	1,048,350	687,292	1,987,346	2,428,607	342,514	53,032
Fixed income	516,656	176,242	979,418	1,196,884	168,801	26,136
Private equity	685,649	233,890	1,299,777	1,588,374	224,014	34,685
Real estate	377,586	128,803	715,784	874,714	123,364	19,101
Security lending	119,401	40,730	226,347	276,604	39,011	6,040
Liquidity	84,265	32,135	156,534	205,124	27,516	6,722
Tangible assets	31,563	10,767	59,834	73,119	10,312	1,597
Total Investments, Noncurrent	2,863,470	1,309,859	5,425,040	6,643,426	935,532	147,313
Total Assets	3,063,087	1,342,268	5,730,205	7,032,345	988,931	157,660
LIABILITIES						
Obligations under security lending agreements	119,401	40,730	226,347	276,604	39,010	6,040
Accrued liabilities	197,123	31,967	319,181	389,698	55,163	8,506
Due to other funds	176	131	7	138	9	18
Due to other pension and other employee benefit funds	-	-	-	-	-	23
Unearned revenues	17	-	-	145	-	-
Total Liabilities	316,717	72,828	545,535	666,585	94,182	14,587
NET ASSETS						
Net assets held in trust for:						
Pension Benefits	2,746,370	1,269,440	5,184,670	6,365,760	894,749	143,073
(Schedule of Funding Progress by Plan begins on Page 161)						
Deferred compensation participants	-	-	-	-	-	-
Total Net Assets	$ 2,746,370	$ 1,269,440	$ 5,184,670	$ 6,365,760	$ 894,749	$ 143,073

Combining Statement of Plan Net Assets
Pension and Other Employee Benefit Funds

June 30, 2011

(expressed in thousands)

concluded

	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
ASSETS						
Cash and pooled investments	$ 213	$ 8	$ 2,335	$ 18,825	$ 2,687	$ 385,135
Receivables:						
Employer accounts receivable	3	-	-	-	-	117,834
Member accounts receivable (net of allowance)	-	3	-	-	1,302	2,684
Due from other funds	-	1	-	5	189	1,454
Due from other pension and other employee benefit funds	-	-	-	-	1	968
Interest and dividends	1	-	-	439	1	184,280
Investment trades pending	-	-	-	7,464	-	3,133,472
Total Receivables	4	4	-	7,908	1,493	3,440,692
Investments, Noncurrent:						
Public equity	-	13,016	-	56,868	2,937,363	29,858,894
Fixed income	-	-	-	28,026	-	11,765,036
Private equity	-	-	-	37,193	-	15,613,270
Real estate	-	-	-	20,481	-	8,598,192
Security lending	-	-	-	6,477	-	2,718,939
Liquidity	4,874	-	-	4,403	-	1,949,411
Tangible assets	-	-	-	1,712	-	718,740
Total Investments, Noncurrent	4,874	13,016	-	155,160	2,937,363	71,222,482
Total Assets	5,091	13,028	2,335	181,893	2,941,543	75,048,309
LIABILITIES						
Obligations under security lending agreements	-	-	-	6,477	-	2,718,938
Accrued liabilities	31	-	-	9,140	2,462	3,857,768
Due to other funds	-	-	1	4	1	2,527
Due to other pension and other employee benefit funds	-	1	-	-	-	968
Unearned revenues	-	-	-	-	-	893
Total Liabilities	31	1	1	15,621	2,463	6,581,094
NET ASSETS						
Net assets held in trust for:						
Pension Benefits	5,060	13,027	2,334	166,272	-	65,528,135
(Schedule of Funding Progress by Plan begins on Page 161)						
Deferred compensation participants	-	-	-	-	2,939,080	2,939,080
Total Net Assets	$ 5,060	$ 13,027	$ 2,334	$ 166,272	$ 2,939,080	$ 68,467,215

Combining Statement of Changes in Plan Net Assets
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution
ADDITIONS						
Contributions:						
Employers	$ 145,585	$ 328,258	$ -	$ 96,803	$ 168,264	$ -
Members	38,315	282,292	94,129	25,758	22,714	257,718
State	-	-	-	-	-	-
Participants	-	-	-	-	-	-
Total Contributions	183,900	610,550	94,129	122,561	190,978	257,718
Investment Income:						
Net appreciation (depreciation) in fair value	1,335,975	3,035,259	259,223	1,121,993	1,029,044	802,515
Interest and dividends	216,284	499,579	23,678	181,753	169,235	75,051
Less: investment expenses	(28,852)	(66,402)	(3,677)	(24,240)	(22,998)	(11,389)
Net investment income (loss)	1,523,407	3,468,436	279,224	1,279,506	1,175,281	866,177
Transfers from other pension plans	90	4,036	1,546	1	847	650
Other additions	-	-	-	-	-	-
Total Additions	1,707,397	4,083,022	374,899	1,402,068	1,367,106	1,124,545
DEDUCTIONS						
Pension benefits	1,149,523	310,942	164	899,818	72,138	542
Pension refunds	3,471	33,686	59,143	1,822	2,281	115,571
Transfers to other pension plans	174	8,027	612	-	119	1,367
Administrative expenses	332	658	-	258	94	-
Distributions to participants	-	-	-	-	-	-
Total Deductions	1,153,500	353,313	59,919	901,898	74,632	117,480
Net Increase (Decrease)	553,897	3,729,709	314,980	500,170	1,292,474	1,007,065
Net Assets - Beginning	7,623,874	16,367,017	1,374,372	6,401,790	5,546,724	4,025,308
Net Assets - Ending	$ 8,177,771	$ 20,096,726	$ 1,689,352	$ 6,901,960	$ 6,839,198	$ 5,032,373

Combining Statement of Changes in Plan Net Assets
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

continued

	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	PSERS Plan 2
ADDITIONS						
Contributions:						
Employers	$ 62,316	$ -	$ 3	$ 79,733	$ 5,250	$ 15,591
Members	19,415	60,313	1,128	136,548	5,207	15,422
State	-	-	-	52,024	-	-
Participants	-	-	-	-	-	-
Total Contributions	81,731	60,313	1,131	268,305	10,457	31,013
Investment Income:						
Net appreciation (depreciation) in fair value	414,369	189,039	821,548	948,683	138,884	18,532
Interest and dividends	67,942	23,598	133,750	156,267	22,702	3,138
Less: investment expenses	(9,201)	(3,270)	(17,796)	(20,717)	(3,016)	(415)
Net investment income (loss)	473,110	209,367	937,502	1,084,233	158,570	21,255
Transfers from other pension plans	415	500	-	2,936	415	5
Other additions	-	-	-	-	-	-
Total Additions	555,256	270,180	938,633	1,355,474	169,442	52,273
DEDUCTIONS						
Pension benefits	43,338	182	338,775	61,876	38,387	35
Pension refunds	2,492	53,242	48	8,181	316	1,778
Transfers to other pension plans	332	597	211	1	1	-
Administrative expenses	69	-	66	1,069	41	32
Distributions to participants	-	-	-	-	-	-
Total Deductions	46,231	54,021	339,100	71,127	38,745	1,845
Net Increase (Decrease)	509,025	216,159	599,533	1,284,347	130,697	50,428
Net Assets - Beginning	2,237,345	1,053,281	4,585,137	5,081,413	764,052	92,645
Net Assets - Ending	$ 2,746,370	$ 1,269,440	$ 5,184,670	$ 6,365,760	$ 894,749	$ 143,073

Combining Statement of Changes in Plan Net Assets
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

concluded

	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS						
Contributions:						
Employers	$ 46	$ 43	$ -	$ 963	$ -	$ 902,855
Members	46	43	-	93	-	959,141
State	10,860	-	-	5,815	-	68,699
Participants	-	-	-	-	186,734	186,734
Total Contributions	10,952	86	-	6,871	186,734	2,117,429
Investment Income:						
Net appreciation (depreciation) in fair value	(2)	1,769	(13)	22,627	417,798	10,557,243
Interest and dividends	17	191	25	3,882	37,664	1,614,756
Less: investment expenses	(8)	(20)	-	(494)	(4,440)	(216,935)
Net investment income (loss)	7	1,940	12	26,015	451,022	11,955,064
Transfers from other pension plans	-	-	-	-	-	11,441
Other additions	-	5	-	-	1,457	1,462
Total Additions	10,959	2,031	12	32,886	639,213	14,085,396
DEDUCTIONS						
Pension benefits	9,737	445	500	10,932	-	2,937,334
Pension refunds	-	-	-	33	-	282,064
Transfers to other pension plans	-	-	-	-	-	11,441
Administrative expenses	-	-	-	30	-	2,649
Distributions to participants	-	-	-	-	149,010	149,010
Total Deductions	9,737	445	500	10,995	149,010	3,382,498
Net Increase (Decrease)	1,222	1,586	(488)	21,891	490,203	10,702,898
Net Assets - Beginning	3,838	11,441	2,822	144,381	2,448,877	57,764,317
Net Assets - Ending	$ 5,060	$ 13,027	$ 2,334	$ 166,272	$ 2,939,080	$ 68,467,215

Note 12
Other Postemployment Benefits

Plan Description and Funding Policy

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer other postemployment benefit plan (OPEB). Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the Health Care Authority, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 58 of the state's K-12 schools and educational service districts (ESDs) and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 246 K-12 schools and ESDs. As of June 2011, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees[1]	Total
State	108,251	28,385	136,636
K-12 schools and ESDs[2]	2,009	27,159	29,168
Political subdivisions	11,753	1,188	12,941
Total	122,013	56,732	178,745

[1]Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.
[2]In fiscal year 2011, there were 99,896 full-time equivalent active employees in the 246 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For fiscal year 2011, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium[3]	
Medical	$805
Dental	81
Life	5
Long-term disability	2
Total	$893
Employer contribution	$799
Employee contribution	94
Total	$893

[3]Per 2011 Index Rate Model 7.20.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2010, the average weighted implicit subsidy was valued at $272 per member per month, and in calendar year 2011, the average weighted implicit subsidy is projected to be $301 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2010, the explicit subsidy was $183 per member per month, and in calendar year 2011, the explicit subsidy is $183 per member per month.

Retirees participating in the PEBB life insurance program received an explicit subsidy of $5 per member per month in calendar year 2010. The explicit subsidy is also $5 per member per month in calendar year 2011.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life insurance benefits.

Contributions are set each biennium as part of the budget process. In fiscal year 2011, the cost of the subsidies was approximately 6.8 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employers individual plan and actuarial methods and assumptions used.

The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. The plan has no investments or other assets. The PEBB OPEB plan does not issue a publicly available financial report.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2011, the amount contributed to the plan, and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands):

Annual required contribution	$320,991
Interest on Net OPEB Obligation	35,004
Amortization of Net OPEB Obligation	(27,427)
Annual OPEB cost (expense)	328,568
Contributions made	(78,673)
Increase in Net OPEB Obligation	249,895
Net OPEB Obligation - beginning of year	777,872
Net OPEB Obligation - end of year*	$1,027,767
*estimated	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009, 2010 and 2011 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$328,568	23.9%	$1,027,767
6/30/10	354,420	19.8%	777,872
6/30/09	334,374	25.9%	493,551

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$3,491,970
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,491,970

Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$5,937,061
UAAL as a percentage of covered payroll	58.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2011
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.0%
Health care inflation rate	7.0% initial rate, 5% ultimate rate in 2083
Inflation rate	3.5%

In addition to the assumptions above, several factors also significantly contributed to the actuarial results. The PEBB voted to permanently eliminate the subsidy paid for life insurance premiums beginning in January 2012. Also in January 2012, explicit subsidies for retirees enrolled in Medicare Parts A and B will be reduced from $183 per month to $150 per month. These changes caused the net liabilities to decrease.

Note 13

Commitments and Contingencies

A. CONSTRUCTION AND OTHER COMMITMENTS

Capital commitments

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $9.1 billion at June 30, 2011.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2011 are (in thousands):

General Fund	$ 32,901
Higher Education Special Revenue Fund	2,597
Nonmajor Governmental Funds	274,432

B. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in both basic and special education; inadequate funding for care of foster children, the disabled and elderly; and inadequate funding for the provision of mental health services to children. Collective claims in these programmatic and service cases exceed $400 million exclusive of the basic education case, which could be substantial but is difficult to quantify at this juncture. Adverse rulings in these cases could result in significant future costs.

The Department of Revenue routinely has claims for refunds in various stages of administrative and legal review. Claims for refunds are approximately $234 million. In addition, the state is defending cases challenging the constitutionality of certain taxes that fund discrete state programs.

The state is a defendant in a number of lawsuits related to: habitat restoration and environmental clean-up arising out of highway/roadway construction and maintenance and historic mining activity. While estimates are not available for all lawsuits, claims for damages equate to approximately $200 million.

The state is the defendant in numerous lawsuits by employees alleging various infractions of law or contract. These suits claim back pay and damages in

excess of $62 million. Pursuant to the legislative repeal, replacement retirement benefits were offered in lieu of the elimination of gain sharing. It is estimated that if the gain sharing benefit is restored and replacement benefits are retained, the biennial cost to the public employers participating in the plans would be approximately $244 million for the 2013-15 biennium.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's share of the settlement was approximately $110.7 million in fiscal year 2011 and is subject to various offsets, reductions, and adjustments. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the base payment. The 2011 strategic contribution payment was approximately $37.1 million.

In 2006, 2007, 2008, and 2009, determinations were made under a process established by the MSA that disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between $0 and $130 million for the year 2003, $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, and $0 and $119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007, 2008 and 2009, respectively. Washington faces a potential NPM adjustment of between $0 and $123 million for the year 2007, $0 and $173 million for the year 2008, and $0 and $176 million for the year 2009.

Washington and 37 other states each filed court actions seeking declarations that they had diligently enforced their escrow statutes – a defense to the adjustment claim. The participating manufacturers oppose having the diligent enforcement issue decided by numerous state courts. They believe the issue is governed by an arbitration clause in the MSA that they claim requires a panel of arbitrators to decide, in a single national proceeding, whether individual states diligently enforced their own statutes. This issue was resolved in favor of the manufacturers. With the exception of Montana, all states will participate in a single national arbitration of the NPM adjustment dispute.

The dispute will be presented to a three-member panel of retired judges. The panel is in place and some preliminary hearings have been held. The arbitration will comprise some presentations made by the states collectively, but each state will also have to respond to claims by the participating manufacturers that the state was not diligent in enforcing its Qualifying Statute and present its individual case for diligence in enforcing its Qualifying Statute. The panel will not issue its decision as to any individual state until the entire arbitration with all states has been completed. A two week hearing has been scheduled for April 2012 to address issues of general applicability. Individual state hearings will begin in May 2012. A specific hearing date has not yet been set for Washington.

C. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state does estimate and recognize a claims and judgments liability for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

D. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. State agencies and universities responsible

for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue, and therefore limit any state arbitrage liability. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

E. OTHER COMMITMENTS AND CONTINGENCIES

School Bond Guarantee Program

Washington voters passed a constitutional amendment in November 1999, creating the Washington State School Bond Guarantee Program.

The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the state of Washington to the full and timely payment of voter-approved school district general obligation bonds in the event a school district is unable to make a payment.

The issuing school district remains responsible for the repayment of the bonds, including any payment the state makes under the guarantee.

The State Treasurer introduced the School Bond Guarantee Program in March 2000. At the end of fiscal year 2011, the state had guaranteed 212 school districts' voter-approved general obligation debt with 190 districts having a total outstanding principal of $8.35 billion. The state estimates that school bond guarantee liability, if any, will be immaterial to its overall financial condition.

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington State agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2011, outstanding certificates of participation notes totaled $78 million for 170 local governments participating in LOCAL. The state estimates that LOCAL program liability, if any, will be immaterial to its overall financial condition.

Office Building Lease

The 2009 Legislature authorized the state to lease-develop an office building in Olympia, Washington (1500 Jefferson Street). On June 29, 2009, the state entered into a ground lease and a lease agreement with FYI Properties (FYI), a Washington nonprofit corporation. The agreements called for FYI to design and construct an office building and to finance it with tax-exempt obligations that met the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service. The state is required to make monthly payments that equal the required debt service on the bonds upon substantial completion of the project. Additional amounts may also be due per the terms of the lease agreement. The lease agreements provide the state with options to purchase the building during the term of the lease and transfer ownership of the building to the state at the end of the lease. The office building was occupied starting in early fiscal year 2012.

Note 14
Subsequent Events

A. BOND ISSUES

In July 2011, the University of Washington issued $211.4 million in general revenue bonds. The purpose of the bonds was to refund $74.5 million in long-term debt, convert $75 million in commercial paper to long-term debt and use $61.8 million to fund various capital projects.

In August 2011, the state issued:

- $390.8 million in various purpose general obligation bonds to fund various state capital projects, state buildings and facilities for institutions of higher education and state programs for Columbia River Basin water supply development, farmland preservation, riparian protection and outdoor recreation.

- $327.7 million in motor vehicle fuel tax general obligation bonds to provide funds to pay for and reimburse state expenditures for state and local highway improvements or the construction of two ferries and improvements to state ferry facilities.

- $27.7 million in taxable bonds to fund certain non-transportation related projects and purposes that cannot be financed with tax exempt bonds.

In October 2011, the state issued:

- $518.8 million in motor vehicle fuel tax and general obligation bonds to cover preliminary costs of the State Route 520 Bridge.

- $461.4 million in various purpose general obligation refunding bonds.

- $42.3 million in motor vehicle fuel tax general obligation refunding bonds.

B. CERTIFICATES OF PARTICIPATION

In August 2011, the state issued $16.5 million to refund Certificates of Participation.

C. U.S. CREDIT RATING

On August 5, 2011, the credit rating agency Standard & Poor's downgraded the United States' credit rating for the first time in history from AAA to AA+. Moody's and Fitch, however, maintained the country's triple A credit rating and have issued statements about their outlook on the U.S. credit standing. The state's investment holdings include U.S. Government Securities. The state continuously monitors the credit ratings of its entire portfolio and manages investments according to established policies.

D. LITIGATION

During the 2011 legislative session, the Washington State Legislature suspended the payment of an annual increase to most retirees of the Public Employees' Retirement System (PERS) Plan 1 and the Teachers' Retirement System (TRS) Plan 1. This payment is often referred to as the Uniform COLA, although the payment is not based on the cost of living. The state estimated that by suspending the COLAs to PERS and TRS Plan 1 members, public employers of the state would save $501 million in employer pension contributions in the 2011-2013 biennium. In October, two public employee unions filed lawsuits challenging the suspension of the COLA, and another union is seeking intervention in those lawsuits. The state will vigorously contest the lawsuits. The outcome is uncertain at this time.

E. GENERAL ELECTION

There were measures on the state's November 8, 2011, general election ballot that addressed state laws related to state expenditures on transportation, requirements for long-term care workers and providers, and the distribution and sale of wine and spirits. These measures, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 8, 2011, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted as available on the Secretary of State's website at: http://www.sos.wa.gov.

RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Biennium Ended June 30, 2011
(expressed in thousands)

	Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 509,169	$ 509,169	$ 509,169	$ -
Resources				
Taxes	29,336,378	27,409,554	27,388,974	(20,580)
Licenses, permits, and fees	187,670	174,449	174,387	(62)
Other contracts and grants	359,882	423,759	376,645	(47,114)
Timber sales	5,698	8,892	8,892	-
Federal grants-in-aid	15,488,080	17,322,490	16,237,599	(1,084,891)
Charges for services	132,086	131,906	115,542	(16,364)
Investment income (loss)	22,897	(13,139)	(7,835)	5,304
Miscellaneous revenue	204,808	413,964	345,016	(68,948)
Unclaimed property	95,773	114,455	114,455	-
Transfers from other funds	2,655,194	3,595,242	3,279,428	(315,814)
Total Resources	48,997,635	50,090,741	48,542,272	(1,548,469)
Charges To Appropriations				
General government	3,571,046	3,615,275	3,426,306	188,969
Human services	23,462,921	24,318,584	23,891,845	426,739
Natural resources and recreation	598,387	678,786	633,404	45,382
Transportation	104,550	99,945	91,038	8,907
Education	18,860,255	19,064,258	18,656,007	408,251
Capital outlays	831,066	976,968	665,737	311,231
Transfers to other funds	1,133,145	1,656,540	1,436,016	220,524
Total Charges To Appropriations	48,561,370	50,410,356	48,800,353	1,610,003
Excess Available For Appropriation Over (Under) Charges To Appropriations	436,265	(319,615)	(258,081)	61,534
Reconciling Items				
Bond sale proceeds	431,442	397,355	466,691	69,336
Bond issue premiums	-	2,114	5,804	3,690
Refunding other debt issued	-	-	(69)	(69)
Changes in reserves (net)	-	-	(176,025)	(176,025)
Entity adjustments (net)	-	-	24,030	24,030
Total Reconciling Items	431,442	399,469	320,431	(79,038)
Budgetary Fund Balance, June 30	$ 867,707	$ 79,854	$ 62,350	$ (17,504)

BUDGETARY COMPARISON SCHEDULE
Budget to GAAP Reconciliation

General Fund
For the Biennium Ended June 30, 2011
(expressed in thousands)

	General Fund
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	$ 48,542,272
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(3,279,428)
Budgetary fund balance at the beginning of the biennium	(509,169)
Appropriated loan principal repayment	(2,292)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	2,965,582
Revenues collected for other governments	204,483
Unanticipated receipts	47,401
Noncash revenues	46,091
Other	5,991
Biennium total revenues	48,020,931
Fiscal year 2010 total revenues, as restated	(23,372,813)
Nonappropriated activity	2,117
Total Revenues (GAAP Basis) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 24,650,235
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule	$ 48,800,353
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(2,515,560)
Other transfers to other funds	(1,436,016)
Appropriated loan disbursements	(572)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	2,965,582
Distributions to other governments	204,483
Expenditures related to unanticipated receipts	47,401
Certificates of participation and capital lease acquisitions	15,727
Other	5,991
Biennium total expenditures	48,087,389
Fiscal year 2010 total expenditures, as restated	(24,361,201)
Nonappropriated activity	477,189
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 24,203,377

BUDGETARY INFORMATION
Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the state Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the GASB Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2009-11 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. A copy of this report is available at the Office of Financial Management, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and over-expenditures are prohibited. All appropriated and certain nonappropriated funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. Because allotments are not the strict legal limit on expenditures/expenses, the accompanying budgetary schedule is shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds typically earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over-expenditure of allotments.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are

all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, Tobacco Settlement Securitization Bond Debt Service Fund, federal surplus food commodities, electronic food stamp benefits, capital leases, note proceeds, and resources collected and distributed to other governments.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP Reconciliation.

Budgetary Fund Balance generally includes the following as reported on the Governmental Funds Balance Sheet: restricted, committed, assigned, and unassigned fund balances. The General Fund Basic Account Budgetary Fund Balance only includes unassigned fund balance.

Fiscal Year 2010 Restatement

As described in Note 2 to the financial statements on pages 68 and 69, GASB Statement No. 54 was implemented in fiscal year 2011. To enhance comparability, all amounts presented for fiscal year 2010 in these budgetary schedules were revised, where applicable, to reflect the implementation of GASB Statement No. 54 as if it had been made in fiscal year 2010.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Employees' Retirement System - Plan 1
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006	9/30/2005
Actuarial value of plan assets	$ 9,293	$ 9,776	$ 9,853	$ 9,715	$ 9,591	$ 9,707
Actuarial accrued liability	12,538	13,984	13,901	13,740	13,129	13,704
Unfunded actuarial liability	3,245	4,208	4,048	4,025	3,538	3,997
Percentage funded	74%	70%	71%	71%	73%	71%
Covered payroll	507	580	638	676	725	786
Unfunded actuarial liability as a percentage of covered payroll	640%	726%	634%	595%	488%	509%

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Public Employees' Retirement System - Plan 2/3
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A	N/A
Actuarial value of plan assets	$ 19,474	$ 18,260	$ 16,693	$ 14,888	N/A	N/A
Actuarial accrued liability	20,029	18,398	16,508	14,661	N/A	N/A
Unfunded actuarial liability	555	138	(185)	(227)	N/A	N/A
Percentage funded	97%	99%	101%	102%	N/A	N/A
Covered payroll	8,206	8,132	7,869	7,157	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	7%	0%	0%	0%	N/A	N/A

PERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Teachers' Retirement System - Plan 1
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006	9/30/2005
Actuarial value of plan assets	$ 7,791	$ 8,146	$ 8,262	$ 8,302	$ 8,275	$ 8,450
Actuarial accrued liability	9,201	10,820	10,754	10,826	10,359	10,894
Unfunded actuarial liability	1,410	2,674	2,492	2,524	2,084	2,444
Percentage funded	85%	75%	77%	77%	80%	78%
Covered payroll	344	389	432	426	478	546
Unfunded actuarial liability as a percentage of covered payroll	410%	687%	577%	592%	436%	448%

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Teachers' Retirement System - Plan 2/3
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A	N/A
Actuarial value of plan assets	$ 6,593	$ 6,160	$ 5,681	$ 5,277	N/A	N/A
Actuarial accrued liability	6,558	6,048	5,264	4,682	N/A	N/A
Unfunded (assets in excess of) actuarial liability	(36)	(112)	(417)	(595)	N/A	N/A
Percentage funded	101%	102%	108%	113%	N/A	N/A
Covered payroll	3,966	3,957	3,621	3,318	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	N/A	N/A

TRS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
School Employees' Retirement System - Plan 2/3
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A	N/A
Actuarial value of plan assets	$ 2,664	$ 2,503	$ 2,303	$ 2,133	N/A	N/A
Actuarial accrued liability	2,706	2,493	2,207	1,998	N/A	N/A
Unfunded (assets in excess of) actuarial liability	41	(10)	(96)	(135)	N/A	N/A
Percentage funded	98%	100%	104%	107%	N/A	N/A
Covered payroll	1,475	1,467	1,379	1,283	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	3%	0%	0%	0%	N/A	N/A

SERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006	9/30/2005
Actuarial value of plan assets	$ 5,561	$ 5,612	$ 5,592	$ 5,298	$ 5,018	$ 4,800
Actuarial accrued liability	4,393	4,492	4,368	4,340	4,309	4,243
Unfunded (assets in excess of) actuarial liability	(1,168)	(1,120)	(1,224)	(958)	(709)	(557)
Percentage funded	127%	125%	128%	122%	116%	113%
Covered payroll	29	33	37	43	48	56
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A	N/A
Actuarial value of plan assets	$ 6,043	$ 5,564	$ 5,053	$ 4,360	N/A	N/A
Actuarial accrued liability	5,164	4,641	3,998	3,626	N/A	N/A
Unfunded (assets in excess of) actuarial liability	(879)	(923)	(1,055)	(734)	N/A	N/A
Percentage funded	117%	120%	126%	120%	N/A	N/A
Covered payroll	1,490	1,442	1,345	1,234	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	N/A	N/A

LEOFF Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Washington State Patrol Retirement System - Plan 1/2
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A	N/A
Actuarial value of plan assets	$ 920	$ 900	$ 870	$ 800	N/A	N/A
Actuarial accrued liability	812	790	745	702	N/A	N/A
Unfunded (assets in excess of) actuarial liability	(108)	(110)	(125)	(98)	N/A	N/A
Percentage funded	113%	114%	117%	114%	N/A	N/A
Covered payroll	83	83	79	72	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	N/A	N/A

WSPRS Plan 1/2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Safety Employees' Retirement System - Plan 2
Valuation Years 2010 through 2005

(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A	N/A
Actuarial value of plan assets	$ 103	$ 69	$ 39	$ 14	N/A	N/A
Actuarial accrued liability	94	64	37	19	N/A	N/A
Unfunded (assets in excess of) actuarial liability	(9)	(5)	(2)	6	N/A	N/A
Percentage funded	109%	108%	106%	74%	N/A	N/A
Covered payroll	227	223	200	134	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	N/A	N/A

PSERS Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Judicial Retirement System
Valuation Years 2010 through 2005

(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006	9/30/2005
Actuarial value of plan assets	$ 4.0	$ 2.0	$ 1.0	$ 1.0	$ 0.3	$ 2.0
Actuarial accrued liability	84	89	92	85	88	89
Unfunded actuarial liability	80	87	91	84	88	87
Percentage funded	5%	2%	1%	1%	0%	2%
Covered payroll	0.7	0.9	1.3	1.3	1.4	1.7
Unfunded actuarial liability as a percentage of covered payroll	11565%	9667%	7000%	6462%	6286%	5118%

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

concluded

Schedule of Funding Progress
Judges' Retirement Fund
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006	9/30/2005
Actuarial value of plan assets	$ 2.8	$ 3.3	$ 3.6	$ 4.0	$ 4.1	$ 4.2
Actuarial accrued liability	3.2	3.4	3.5	3.9	4.0	4.5
Unfunded (assets in excess of) actuarial liability	0.4	0.1	(0.1)	(0.1)	(0.1)	0.3
Percentage funded	87%	97%	103%	103%	103%	93%
Covered payroll	-	-	-	-	-	-
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Valuation Years 2010 through 2005
(dollars in millions)

	2010	2009	2008	2007	2006	2005
Actuarial valuation date	6/30/2010	6/30/2009	6/30/2008	6/30/2007	12/31/2006	12/31/2005
Actuarial value of plan assets***	$ 166	$ 166	$ 161	$ 151	$ 140	$ 127
Actuarial accrued liability*	166	163	153	141	142	140
Unfunded (assets in excess of) actuarial liability	-	(3)	(8)	(10)	2	13
Percentage funded	100%	102%	105%	107%	99%	91%
Covered payroll**	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Pension plan liability only - excludes relief benefits.

**Covered payroll is not presented because it is not applicable since this is a volunteer organization.

*** Board for Volunteer Fire Fighters adopted a new funding policy as of 2010 where assets above the accrued pension liability are allocated to fund relief benefits.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2011 through 2006

(dollars in millions)

	2011	2010	2009	2008	2007	2006
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 1						
Employers' annual required contribution	$ 439.3	$ 627.8	$ 620.2	$ 453.1	$ 397.3	$ 438.5
Employers' actual contribution	145.6	154.0	325.2	221.8	118.7	29.6
Percentage contributed	33%	25%	52%	49%	30%	7%
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 408.6	$ 383.1	$ 369.7	$ 363.3	$ 331.3	$ 307.6
Employers' actual contribution	328.3	327.5	439.7	318.7	242.5	149.6
Percentage contributed	80%	85%	119%	88%	73%	49%
TEACHERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ 205.9	$ 406.1	$ 391.0	$ 294.7	$ 249.8	$ 287.5
Employers' actual contribution	96.8	112.7	178.9	113.1	60.5	15.1
Percentage contributed	47%	28%	46%	38%	24%	5%
TEACHERS' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 232.3	$ 221.1	$ 186.9	$ 208.9	$ 167.7	$ 166.4
Employers' actual contribution	168.3	165.0	160.8	109.5	102.2	75.4
Percentage contributed	72%	75%	86%	52%	61%	45%
SCHOOL EMPLOYEES' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 88.6	$ 82.3	$ 71.5	$ 75.8	$ 71.5	$ 81.4
Employers' actual contribution	62.3	62.1	63.5	52.1	45.9	30.4
Percentage contributed	70%	75%	89%	69%	64%	37%

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this reporting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ -	$ -	$ -	$ -	$ 0.1	$ -
Employers' actual contribution	-	-	-	-	0.1	0.1
Percentage contributed	N/A	N/A	N/A	N/A	100%	N/A
State annual required contribution	$ -	$ -	$ -	$ -	$ -	$ -
State actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 2						
Employers' annual required contribution*	$ 84.0	$ 111.1	$ 105.3	$ 61.3	$ 56.9	$ 60.8
Employers' actual contribution	79.7	77.0	77.8	73.4	58.2	48.5
Percentage contributed	95%	69%	74%	120%	102%	80%
State annual required contribution*	$ 33.6	$ 44.4	$ 42.1	$ 40.8	$ 38.0	$ 40.5
State actual contribution	52.0	51.4	51.1	45.9	37.9	31.7
Percentage contributed	155%	116%	121%	113%	100%	78%
WASHINGTON STATE PATROL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 2.3	$ 6.6	$ 5.0	$ 6.8	$ 5.3	$ 6.1
Employers' actual contribution	5.3	5.3	6.4	6.1	3.3	3.1
Percentage contributed	230%	80%	128%	90%	62%	51%

N/A indicates data not available.

*The Annual Required Contribution (ARC) for the LEOFF Plan 2 presented is the Office of the State Actuary's recommended figure.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this reporting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (concl'd)

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2011 through 2006

(dollars in millions)

	2011	2010	2009	2008	2007	2006
PUBLIC SAFETY EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2						
Employers' annual required contribution	$ 14.7	$ 14.8	$ 14.3	$ 12.4	$ 7.1	N/A
Employers' actual contribution	15.6	15.2	14.5	11.7	6.6	N/A
Percentage contributed	106%	103%	101%	94%	93%	N/A
JUDICIAL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 18.6	$ 20.4	$ 21.2	$ 26.6	$ 37.3	$ 27.7
Employers' actual contribution	10.9	11.6	10.2	9.6	9.6	6.7
Percentage contributed	59%	57%	48%	36%	26%	24%
JUDGES' RETIREMENT FUND						
Employers' annual required contribution	$ 0.1	$ -	$ -	$ -	$ -	$ 0.1
Employers' actual contribution	-	-	-	-	0.3	0.3
Percentage contributed	0%	N/A	N/A	N/A	N/A	300%
VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION FUND						
Employers' annual required contribution	$ 1.1	$ 1.0	$ 1.1	$ 1.0	$ 1.0	$ 1.0
Employers' actual contribution	1.1	1.0	1.0	1.0	1.0	1.0
Percentage contributed	100%	100%	91%	100%	100%	100%
State annual required contribution	$ 4.2	$ 1.8	$ 1.4	$ 0.9	$ 2.0	$ 3.6
State actual contribution	5.8	5.7	5.2	5.0	6.0	4.6
Percentage contributed	138%	317%	371%	556%	300%	128%

N/A indicates data not available.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this reporting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

OTHER POSTEMPLOYMENT BENEFITS INFORMATION
Schedule of Funding Progress

Schedule of Funding Progress
Other Postemployment Benefits
Valuation Years 2011 through 2008
(dollars in millions)

	2011	2009	2008
Actuarial valuation date	1/1/2011	1/1/2009	1/1/2008
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	3,492	3,787	4,014
Unfunded actuarial accrued liability (UAAL)	3,492	3,787	4,014
Funded ratio	0%	0%	0%
Covered payroll	5,937	5,678	5,170
UAAL as a percentage of covered payroll	59%	67%	78%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state's highway system is divided into three main categories: pavement, bridges, and rest areas. Condition information about each of these areas as well as state managed airports follows.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) owns and maintains 20,587 lane miles of highway, including ramps, collectors and special use lanes. Special use lanes include High Occupancy Vehicle (HOV), climbing, chain-up, holding, slow vehicle turnout, two-way turn, weaving/speed change, bicycle, transit, truck climbing shoulder, turn and acceleration lanes. Special use and ramp/collector lane miles make up 1,956 of the total lane miles.

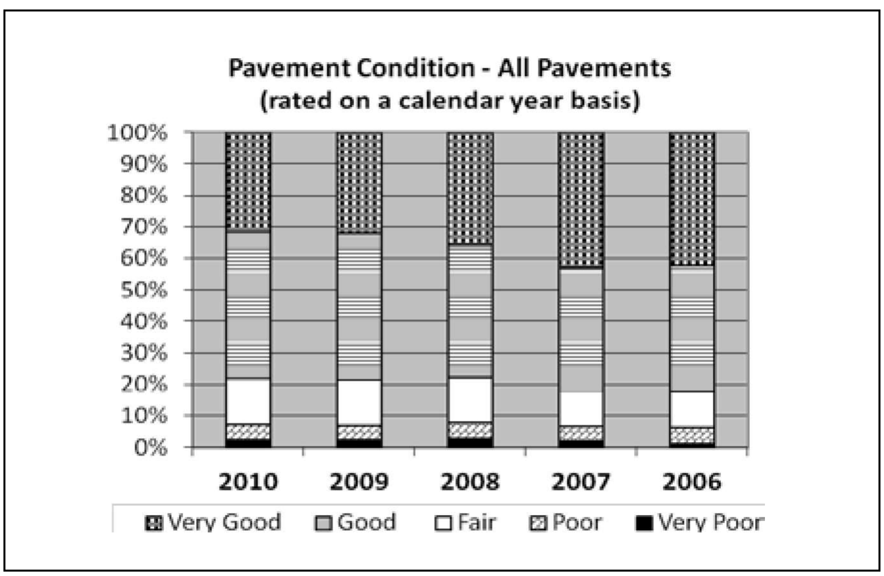
WSDOT has been rating pavement condition since 1969. Pavement rated in *good* condition is smooth and has few defects. Pavement in *poor* condition is characterized by cracking, patching, roughness and rutting. Pavement condition is rated using three factors: Pavement Structural Condition (PSC), International Roughness Index (IRI), and Rutting.

In 1993, the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost (LLCC), which has been determined to occur at a PSC range between 40 and 60, or when triggers for roughness or rutting are met. The trend over the last five years has shown that the percent of pavements in poor or very poor condition was fairly stable at 7 to 10 percent. WSDOT uses LLCC analysis to manage its pavement preservation program.

The principles behind LLCC are basic – if rehabilitation is done too early, pavement life is wasted; if rehabilitation is done too late, very costly repair work may be required, especially if the underlying structure is compromised. WSDOT continually looks for ways to best strike a balance between these two basic principles.

While the goal for pavements is zero miles in 'poor' condition, marginally good pavements may deteriorate into poor condition during the lag time between assessment and actual rehabilitation. As a result, a small percentage of marginally good pavements will move into the 'poor' condition category for any given assessment period.

WSDOT manages state highways targeting the LLCC per the Pavement Management System due date. While the Department has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the current policy is to maintain 90 percent of all highway pavement types at a pavement condition index of 40 or better with no more than 10 percent of its highways at a pavement condition below 40. The most recent assessment, conducted in 2010, found that state highways were within the prescribed parameters with only 7.3 percent of all pavement types with a pavement condition index below 40.



WSDOT uses the following scale for Pavement Structural Condition (PSC):

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5 percent of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 80	Early stage deterioration. Example: Flexible pavement with 15 percent of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 60	This is the threshold value for rehabilitation. Example: Flexible pavement with 25 percent of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 40	Structural deterioration. Example: Flexible pavement with 25 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 20	Advanced structural deterioration. Example: Flexible pavement with 40 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The PSC is a measure based on distresses such as cracking and patching, which are related to the pavement's ability to carry loads. Pavements develop structural deficiencies due to truck traffic and cold weather. WSDOT attempts to program rehabilitation for pavement segments when they are projected to reach a PSC of 50. A PSC of 50 can occur due to various amounts and severity of distress. For rigid pavements (such as Portland cement concrete), a PSC of 50 represents 50 percent of the concrete slabs exhibiting joint faulting with a severity of 1/8 to 1/4 inch (faulting is the elevation difference at slab joints and results in a rough ride – particularly in large trucks). Further, a PSC of 50 can also be obtained if 25 percent of concrete slabs exhibit two to three cracks per panel.

The International Roughness Index (IRI) uses a scale in inches per mile. WSDOT considers pavements with a ride performance measure of greater than 220 inches per mile to be in poor condition. For example, new asphalt overlays typically have ride values below 75 inches per mile, which is very smooth.

Rutting is measured in inches: a pavement with more than 0.58 inches of rutting is considered in poor condition.

The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement, which is assigned the lowest category of any of the three ratings.

The following table shows the combined explanatory categories and the ratings for each index.

Category	PSC	IRI	Rutting
Very Good	100 – 80	< 95	< 0.23
Good	80 – 60	95 – 170	0.23 – 0.41
Fair	60 – 40	170 – 220	0.41 – 0.58
Poor	40 – 20	220 – 320	0.58 – 0.74
Very Poor	0 – 20	> 320	> 0.74

WSDOT uses a semi-automated pavement distress survey procedure. In the automated survey, high-resolution video images are collected at highway speed and these video images are then rated on special workstations at 3-6 mph speed. Use of the semi-automated procedure has resulted in a more detailed classification and recording of various distresses that are rated.

In 2010, WSDOT rated pavement condition on 17,178 of the 20,587 lane miles of highway. The following chart shows recent pavement condition ratings for the state highway system, using the combination of the three indices described on the preceding page.

Percentage of Pavement Lane Miles in Fair or Better Condition*

	2010	2009	2008	2007	2006
Statewide - Chip seals	95%	95%	95%	91%	91%
Statewide - Asphalt	92%	93%	92%	94%	94%
Statewide - Concrete	91%	90%	87%	93%	93%
Statewide - All Pavements	93%	93%	92%	93%	94%

Percentage of Pavement Lane Miles in Poor or Very Poor Condition*

	2010	2009	2008	2007	2006
Statewide - Chip seals	5%	5%	5%	9%	9%
Statewide - Asphalt	8%	7%	8%	6%	6%
Statewide - Concrete	9%	10%	13%	7%	7%
Statewide - All Pavements	7%	7%	8%	7%	6%

*Calendar year data. Assessments are typically physically conducted in the summer and fall of each year, and processed during the winter and spring, with final results released in July. Years indicated are when the physical assessment was conducted.

Note: The All Pavement percentages are calculated from total database averages, not a statistical average of the three pavement type percentages. IRI and rutting are not used for sections identified as under construction in rating distress.

More information about pavement management at WSDOT may be obtained at:
http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/Default.htm.

BRIDGE CONDITION

During fiscal year 2011, there were 3,205 state-owned vehicular structures over 20 feet in length with a total area of 45,818,813 square feet. In addition to bridges, the 3,205 structures include 111 culverts.

There was a net increase of 21 bridge structures in fiscal year 2011 due to new construction, asset exchanges, and demolition. Special emphasis is given to the ongoing inspection and maintenance of major bridges representing a significant public investment due to size, complexity or strategic location. All bridges are inspected every two years and underwater bridge components at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

Information related to public bridges is maintained in the Washington State Bridge Inventory System. This system is used to develop preservation strategies and comprehensive recommendations for maintenance and construction, and for reporting to the FHWA.

WSDOT uses a performance measure which classifies a bridge as good, fair, or poor using the National Bridge Inspection Standards (NBIS) bridge superstructure, substructure, and deck codes. Prior to fiscal year 2011, WSDOT only used superstructure and substructure codes. For fiscal year 2011, the deck code was included as part of the performance measure as WSDOT made improvements in the measurement and consistency of this data and the bridge deck is a primary load-carrying element. Prior to fiscal year 2011, deck area codes were excluded due to data quality issues, which WSDOT has resolved. In order for a deck rating to be classified as "poor," 2 percent or more of the total bridge deck area must have been temporarily repaired by maintenance crews and/or there is active concrete deterioration. The inclusion of the NBIS deck code in fiscal year 2011 is the main reason the percentage of bridges in the poor condition category increased. Bridge deck condition ratings could not be retroactively applied to years prior to 2011. The data is presented for 2011 in two columns, one without and the other with the impact of the deck condition data.

WSDOT's policy is to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound.

The most recent assessments over the last two years found that state-owned bridges were within the prescribed parameters with 95.2 percent having a condition rating of fair or better and only 4.8 percent of bridges having a condition rating of poor. Bridges rated as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic.

WSDOT's Bridge Seismic Retrofit Program prioritizes state bridges for seismic retrofit, and performs these retrofits as funding permits. Retrofit priorities are based on seismic risk of a site, structural detail deficiencies, and route importance.

The Seismic Retrofit Program includes 900 bridges that have been classified as needing retrofitting. Seismic analysis has determined that 43 bridges do not require a retrofit. WSDOT has fully or partially retrofitted 394 bridges. Of those, 259 are completely retrofitted, 135 are partially retrofitted. There are 16 bridges currently under contract to be retrofitted.

The following condition rating data is based on the structural sufficiency standards established in the FHWA "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges." This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy.

Three categories of condition were established in relation to the FHWA criteria as follows:

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour or seriously affected primary structural components.

Note: Bridges rated in poor condition may be restricted for the weight and type of traffic allowed.

The following charts show the most recent condition rating of Washington State bridges:

Percentage of Bridges in Fair or Better Condition

Bridge Type	2011 (1)	2011 (2)	2010	2009	2008	2007
Reinforced concrete (1,299 bridges in FY 2011)	95.0%	97.9%	98.1%	98.0%	98.0%	98.3%
Prestressed concrete (1,386 bridges in FY 2011)	97.6%	99.3%	99.3%	99.0%	98.9%	99.3%
Steel (368 bridges in FY 2011)	91.4%	96.1%	96.6%	95.0%	93.9%	94.7%
Timber (79 bridges in FY 2011)	79.8%	79.8%	80.2%	80.4%	71.7%	66.3%
Statewide - All bridges (3,132 out of 3,205 bridges in FY 2011)	95.2%	97.7%	97.9%	97.5%	97.0%	97.4%

Percentage of Bridges in Poor Condition (3)

Bridge Type	2011 (1)	2011 (2)	2010	2009	2008	2007
Reinforced concrete (28 bridges in FY 2011)	5.0%	2.1%	1.9%	2.0%	2.0%	1.7%
Prestressed concrete (10 bridges in FY 2011)	2.4%	0.7%	0.7%	1.0%	1.1%	0.7%
Steel (15 bridges in FY 2011)	8.6%	3.9%	3.4%	5.0%	6.1%	5.3%
Timber (20 bridges in FY 2011)	20.2%	20.2%	19.8%	19.6%	28.3%	33.7%
Statewide - All bridges (73 out of 3,205 bridges in FY 2011)	4.8%	2.3%	2.1%	2.5%	3.0%	2.6%

(1) Data in this column reflects the condition of bridges based on three condition measurement criteria, deck condition as well as superstructure and substructure. It is presented here to fairly report the condition of bridges as a group under the additional rating measurement as well as for comparison to the 2011 conditions without the addition of deck measurements.

(2) Data in this column reflects the condition of bridges based on two condition measurement criteria, superstructure and substructure only which are the measurements used for the previous four years of inspections. It is presented here for comparison to the previous four years.

(3) Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic allowed. WSDOT currently has 17 posted bridges and 125 restricted bridges for a total of 142 load posted and restricted bridges. Posted bridges have signs posted which inform of legal weight limits. Restricted bridges are those permits where overweight will not be issued for travel by overweight vehicles.

For more information on overweight restrictions, refer to http://www.wsdot.wa.gov/commercialVehicle/Restrictions/. Any bridges determined to be unsafe are closed to traffic.

Additional information regarding the WSDOT's bridge inspection program may be obtained at:
http://www.wsdot.wa.gov/eesc/bridge/index.cfm.

SAFETY REST AREA CONDITION

The WSDOT owns, operates, and maintains 47 developed safety rest area (SRA) facilities. Within these facilities, the Department manages the following assets: 100 buildings, 706 acres, 31 on-site public drinking water systems, 41 on-site sewage pre-treatment/treatment systems, and 20 recreational vehicle sanitary disposal facilities.

WSDOT performs SRA building and site condition assessments in odd-numbered calendar years, to determine the facility deficiencies. This biennial process, which began in 2003, helps prioritize renovation and replacement projects. Sites and buildings are divided into functional components that are assessed with a numerical rating of 1 to 5 based on guideline criteria (1 meets current standards, 5 is poor).

In addition, a weighting multiplier is applied based on the criticality of the individual component. For instance, a safety deficiency adds a weighting multiplier of ten while a department image deficiency has a weighting multiplier of two. The combined total building and site ratings are used to determine each facility's overall condition, and fall into one of five categories. WSDOT will conduct the next condition assessment in 2011 to be reported in the 2012 annual report.

WSDOT SRA condition assessment rating parameters are not based on other state or national guidelines for safety rest areas. The model used is based on the WSDOT capital facility program software already in use, with minor modifications to the rating parameters to better match the unique needs of SRA facilities. The SRA program goal is to have no more than 5 percent of the facilities rated poor.

The following charts show the most recent condition rating of Washington State safety rest areas:

Category	2009*	2007	2005
Percentage of facilities in fair or good condition	97.6%	95.2%	95.2%
Percentage of facilities in poor condition	2.4%	4.8%	4.8%

*2009 percentages are based on 43 inspected SRA sites.

Category	Description	Number of Safety Rest Areas in Category		
		2009	2007	2005
Good Condition	Facility is new construction and/or meets current standards.	8	8	11
Fair-High Condition	Facility meets current standards and/or is in adequate condition with minimal component deficiencies.	7	6	2
Fair-Mid Condition	Facility is functional, and in adequate condition with minor component deficiencies.	11	6	9
Fair-Low Condition	Facility has multiple system deficiencies.	16	20	18
Poor	Facility is at or beyond its service life, with multiple major deficiencies.	1	2	2
No Condition Assessment Data	No data in 2009 (Iron Goat, Dodge Junction, Keller Ferry, Dusty)	4	5	0
	Total	47	47	42

STATE MANAGED AIRPORT CONDITION

The WSDOT Aviation Division is authorized by RCW 47.68.100 to acquire, manage and maintain airports.

Under this authority, WSDOT manages 17 airports, eight of which the Department owns. The airports are used primarily for access to small communities and emergency purposes such as fire fighting, search and rescue, and medical evacuation (one airport is used only for helicopter and search and rescue operations). The airports are also used for recreational flying activities. Most are located near or adjacent to state highways and their runways range in character from paved, to gravel or turf.

Three airports are in operational condition 12 months of the year, and the remaining 14 are operational from June to October each year. Opening and closing dates may vary depending on weather conditions. In accordance with WSDOT aviation policy, ongoing routine maintenance is performed on each airport and inspections occur a minimum of three times per year.

The definitions below represent the classification category for state managed airports within the Washington Aviation System Plan. The system plan was adopted in 2009 as part of the Long-Term Air Transportation Study and represents the state-interest component of the statewide multimodal transportation plan.

The system plan fulfills the statewide aviation planning requirements of federal government, coordinates statewide aviation planning, and identifies the program needs for public use of state airports.

Category	Definition
Local service airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Rural essential airport	An airport with a turf, gravel or sand (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.

The following chart shows the most recent condition rating of Washington State managed airports:

Washington Aviation System Plan

Airport Classification	WSDOT Aviation Owned	WSDOT Aviation Managed
Local Airports	2	-
Rural Essential Airports	-	-
Paved runway	-	1
Turf runway	5	3
Gravel runway	-	4
Sand	-	1
Helicopter only	1	-
Total Airports	8	9

	2011	2010	2009	2008	2007
Percentage of airports acceptable for general recreational use or better	94%	94%	94%	88%	88%
Percentage of airports not acceptable for general recreational use or better	6%	6%	6%	12%	12%

For more information about the airports which are acceptable for general recreational use or better, refer to WSDOT's website at: http://www.wsdot.wa.gov/aviation/Airports/.

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Comparison of Planned-to-Actual Preservation and Maintenance

For the Fiscal Years Ended June 30, 2011 through 2007
(expressed in thousands)

	2011			2010		
PAVEMENT	**Planned**	**Actual**	**Variance**	**Planned**	**Actual**	**Variance**
Preservation	$ 100,272	$ 98,123	$ 2,149	$ 147,424	$ 137,952	$ 9,472
Maintenance	21,931	19,688	2,243	20,780	21,489	(709)
Total	$ 122,203	$ 117,811	$ 4,392	$ 168,204	$ 159,441	$ 8,763
BRIDGES						
Preservation	$ 33,201	$ 30,586	$ 2,615	$ 40,958	$ 30,904	$ 10,054
Maintenance	13,507	13,123	384	13,532	13,532	-
Total	$ 46,708	$ 43,709	$ 2,999	$ 54,490	$ 44,436	$ 10,054
REST AREAS						
Preservation	$ 616	$ 624	$ (8)	$ 162	$ 144	$ 18
Maintenance	5,643	5,890	(247)	5,653	5,781	(128)
Total	$ 6,259	$ 6,514	$ (255)	$ 5,815	$ 5,925	$ (110)
AIRPORTS						
Preservation & maintenance	$ 148	$ 192	$ (44)	$ 183	$ 159	$ 24

In addition to increasing and improving the state highway system, WSDOT places a high priority on preserving and maintaining the current highway system. WSDOT breaks out preservation and maintenance into two separate functions. Preservation can be described as projects that maintain the structural integrity of the existing highway system including roadway pavements, safety features, bridges, and other structures/facilities. The maintenance function handles the day-to-day needs that occur such as guardrail replacement, patching pot holes, installing signs, and vegetation control.

WSDOT uses outcome based performance measures for evaluating the effectiveness of the maintenance program. The Maintenance Accountability Process (MAP) is a comprehensive planning, measuring and managing process that provides a means for communicating the impacts of policy and budget decisions on program service delivery. WSDOT uses it to identify investment choices and the effects of those choices in communicating with the Legislature and other stakeholders. The MAP measures and communicates the outcomes of 32 distinct highway maintenance activities. Maintenance results are measured via field condition surveys and reported as Level of Service (LOS) ratings, which range from A to F. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More information about MAP may be obtained at:
http://www.wsdot.wa.gov/maintenance/accountability/default.htm.

WSDOT's legally authorized budgets are biennial with the even year being the first fiscal year of the biennium. Planned amounts in this schedule are not the legal legislative authorizations but are the planned expenditures for the year within the legal authorizations. Therefore, a negative variance is not an indication of overspending the WSDOT's legal authorization but indicates that more expenditure activity occurred than was initially planned. Actual expenditures may vary from the budgeted or planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate or defer preservation or maintenance activity or reduce planned activity in response to economic forecasts.

2009			2008			2007		
Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance
$ 125,246	$ 109,279	$ 15,967	$ 118,886	$ 130,375	$ (11,489)	$ 111,195	$ 99,416	$ 11,779
19,651	19,170	481	18,329	16,994	1,335	19,152	16,255	2,897
$ 144,897	$ 128,449	$ 16,448	$ 137,215	$ 147,369	$ (10,154)	$ 130,347	$ 115,671	$ 14,676
$ 63,436	$ 16,586	$ 46,850	$ 11,260	$ 23,407	$ (12,147)	$ 21,055	$ 20,138	$ 917
13,365	13,406	(41)	12,427	12,601	(174)	11,553	11,051	502
$ 76,801	$ 29,992	$ 46,809	$ 23,687	$ 36,008	$ (12,321)	$ 32,608	$ 31,189	$ 1,419
$ 199	$ 193	$ 6	$ 77	$ 77	$ -	$ 188	$ 173	$ 15
5,808	5,631	177	5,590	5,778	(188)	5,056	5,359	(303)
$ 6,007	$ 5,824	$ 183	$ 5,667	$ 5,855	$ (188)	$ 5,244	$ 5,532	$ (288)
$ 146	$ 168	$ (22)	$ 146	$ 134	$ 12	$ 83	$ 200	$ (117)

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Nonmajor Funds

Combining and Individual Fund Financial Statements

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Nonmajor

Governmental Funds

The Nonmajor Governmental Funds fall into the four categories as described below.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

Capital Projects Funds

Capital Projects Funds account for financial resources that are restricted, or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The Common School Permanent Fund, the state's only Nonmajor Permanent Fund, accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet - by Fund Type

June 30, 2011

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and pooled investments	$ 2,055,178	$ 235,104	$ 234,631	$ 47,097	$ 2,572,010
Investments	35,338	6,966	6,907	190,850	240,061
Taxes receivable (net of allowance)	112,547	-	-	-	112,547
Other receivables (net of allowance)	681,172	21,119	10,417	941	713,649
Due from other funds	255,084	2,440	324,223	-	581,747
Due from other governments	2,265,103	-	17,438	-	2,282,541
Inventories and prepaids	47,323	-	-	-	47,323
Restricted assets:					
Cash and pooled investments	138,083	-	77,549	-	215,632
Total Assets	$ 5,589,828	$ 265,629	$ 671,165	$ 238,888	$ 6,765,510
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 367,757	$ -	$ 47,199	$ -	$ 414,956
Contracts and retainages payable	100,566	-	16,710	-	117,276
Accrued liabilities	55,973	22	3,566	-	59,561
Obligations under security lending agreements	119	-	-	47,044	47,163
Due to other funds	271,815	271	338,789	927	611,802
Due to other governments	127,693	-	38,886	-	166,579
Deferred revenue	959,558	-	26,199	-	985,757
Claims and judgments payable	8,028	-	-	-	8,028
Total Liabilities	1,891,509	293	471,349	47,971	2,411,122
Fund Balances:					
Nonspendable fund balance	1,736,115	-	5,094	187,445	1,928,654
Restricted fund balance	1,231,247	86,897	143,549	3,472	1,465,165
Committed fund balance	905,384	178,439	51,173	-	1,134,996
Assigned fund balance	45	-	-	-	45
Unassigned fund balance	(174,472)	-	-	-	(174,472)
Total Fund Balances	3,698,319	265,336	199,816	190,917	4,354,388
Total Liabilities and Fund Balances	$ 5,589,828	$ 265,629	$ 671,165	$ 238,888	$ 6,765,510

NONMAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by Fund Type

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 74,290	$ -	$ -	$ -	$ 74,290
Business and occupation taxes	4,672	-	-	-	4,672
Excise taxes	32,707	-	-	-	32,707
Motor vehicle and fuel taxes	1,205,859	-	-	-	1,205,859
Other taxes	225,088	-	-	-	225,088
Licenses, permits, and fees	982,663	-	-	-	982,663
Timber sales	171,734	-	8,129	-	179,863
Other contracts and grants	36,910	-	3,518	-	40,428
Federal grants-in-aid	1,242,123	-	1,265	12	1,243,400
Charges for services	522,760	41,588	55,911	-	620,259
Investment income (loss)	64,532	59	873	9,553	75,017
Miscellaneous revenue	285,737	31,598	23,529	457	341,321
Total Revenues	4,849,075	73,245	93,225	10,022	5,025,567
EXPENDITURES					
Current:					
General government	319,064	121	132,645	34	451,864
Human services	652,684	-	7,845	-	660,529
Natural resources and recreation	447,279	-	131,091	-	578,370
Transportation	1,766,068	-	1,198	-	1,767,266
Education	147,159	-	261,977	-	409,136
Intergovernmental	290,221	-	-	-	290,221
Capital outlays	1,467,933	-	666,450	-	2,134,383
Debt service:					
Principal	2,239	647,737	2,015	-	651,991
Interest	4,756	809,174	2,102	-	816,032
Total Expenditures	5,097,403	1,457,032	1,205,323	34	7,759,792
Excess of Revenues Over (Under) Expenditures	(248,328)	(1,383,787)	(1,112,098)	9,988	(2,734,225)
OTHER FINANCING SOURCES (USES)					
Bonds issued	47,320	-	534,506	-	581,826
Refunding bonds issued	-	1,160,990	-	-	1,160,990
Payments to escrow agents for refunded bond debt	-	(1,339,372)	-	-	(1,339,372)
Bond issue premiums	781	182,168	36,246	-	219,195
Other debt issued	126	-	118,475	-	118,601
Refunding COPs issued	-	9,310	-	-	9,310
Payments to escrow agents for refunded COP debt	-	(11,054)	-	-	(11,054)
Transfers in	376,088	1,448,069	954,344	-	2,778,501
Transfers out	(1,251,486)	(64,337)	(891,986)	(7,143)	(2,214,952)
Total Other Financing Sources (Uses)	(827,171)	1,385,774	751,585	(7,143)	1,303,045
Net Change in Fund Balances	(1,075,499)	1,987	(360,513)	2,845	(1,431,180)
Fund Balances - Beginning, as restated	4,773,818	263,349	560,329	188,072	5,785,568
Fund Balances - Ending	$ 3,698,319	$ 265,336	$ 199,816	$ 190,917	$ 4,354,388

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Nonmajor

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes. The Nonmajor Special Revenue Funds are described below:

Motor Vehicle Fund

The Motor Vehicle Fund accounts for highway activities of the Washington State Patrol; operations of the state ferry system; completion and preservation the interstate system; other transportation improvements; and maintenance of non-interstate highways and bridges.

Multimodal Transportation Fund

The Multimodal Transportation Fund accounts for activities relating to drivers' licensing; driver improvement, and financial responsibility; maintenance of driving records, charges for transportation services; and other highway and non-highway operations and capital improvements.

Central Administrative & Regulatory Fund

The Central Administrative and Regulatory Fund accounts for the operating expenditures of certain administrative and regulatory agencies.

Human Services Fund

The Human Services Fund accounts for activities related to safe and reliable drinking water; life sciences research; housing for persons and families with special housing needs; and the collection of tobacco settlement monies.

Wildlife and Natural Resources Fund

The Wildlife and Natural Resources Fund accounts for the protection and management programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

Local Construction & Loan Fund

The Local Construction and Loan Fund accounts for construction and loan programs for local public works projects.

NONMAJOR SPECIAL REVENUE FUNDS

Combining Balance Sheet

June 30, 2011

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services	Wildlife and Natural Resources
ASSETS					
Cash and pooled investments	$ 780,042	$ -	$ 245,003	$ 352,290	$ 586,889
Investments	-	-	1,489	28,914	4,935
Taxes receivable (net of allowance)	109,913	-	2,504	-	-
Other receivables (net of allowance)	38,769	9,745	70,672	485,149	52,820
Due from other funds	126,133	10,555	10,411	7,125	88,185
Due from other governments	79,498	52,733	32,556	296,555	653,759
Inventories and prepaids	40,471	137	6,357	45	313
Restricted assets:					
Cash and pooled investments	138,083	-	-	-	-
Total Assets	$ 1,312,909	$ 73,170	$ 368,992	$ 1,170,078	$ 1,386,901
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 187,710	$ 49,148	$ 6,581	$ 111,265	$ 12,476
Contracts and retainages payable	64,139	2,466	2,471	4,565	22,549
Accrued liabilities	32,842	2,082	5,197	7,707	8,095
Obligations under security lending agreements	-	-	-	119	-
Due to other funds	131,060	17,559	13,995	72,701	35,934
Due to other governments	51,107	53,354	5,329	2,912	13,702
Deferred revenue	21,780	10,733	114,666	542,160	56,427
Claims and judgments payable	-	-	8,028	-	-
Total Liabilities	488,638	135,342	156,267	741,429	149,183
Fund Balances:					
Nonspendable fund balance	40,908	1,213	5,990	96,806	645,667
Restricted fund balance	772,924	10,000	18,563	113,683	251,352
Committed fund balance	10,439	101,087	188,127	218,160	340,699
Assigned fund balance	-	-	45	-	-
Unassigned fund balance	-	(174,472)	-	-	-
Total Fund Balances	824,271	(62,172)	212,725	428,649	1,237,718
Total Liabilities and Fund Balances	$ 1,312,909	$ 73,170	$ 368,992	$ 1,170,078	$ 1,386,901

Local Construction and Loan	Total
$ 90,954	$ 2,055,178
-	35,338
130	112,547
24,017	681,172
12,675	255,084
1,150,002	2,265,103
-	47,323
-	138,083
$ 1,277,778	$ 5,589,828
$ 577	$ 367,757
4,376	100,566
50	55,973
-	119
566	271,815
1,289	127,693
213,792	959,558
-	8,028
220,650	1,891,509
945,531	1,736,115
64,725	1,231,247
46,872	905,384
-	45
-	(174,472)
1,057,128	3,698,319
$ 1,277,778	$ 5,589,828

NONMAJOR SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services	Wildlife and Natural Resources
REVENUES					
Retail sales and use taxes	$ -	$ 51,528	$ 22,611	$ 116	$ 35
Business and occupation taxes	-	-	-	459	4,213
Excise taxes	-	29	-	32,678	-
Motor vehicle and fuel taxes	1,190,887	2,426	-	-	12,546
Other taxes	26	-	58,200	3,793	161,362
Licenses, permits, and fees	382,937	140,577	83,726	250,263	124,992
Timber sales	13	-	4,365	-	67,608
Other contracts and grants	1,244	519	2,165	32,529	453
Federal grants-in-aid	512,475	290,137	92,908	291,616	54,987
Charges for services	231,402	32,314	66,710	184,070	8,264
Investment income (loss)	5,155	304	30,470	8,551	10,399
Miscellaneous revenue	34,584	24,415	22,916	74,757	110,811
Total Revenues	2,358,723	542,249	384,071	878,832	555,670
EXPENDITURES					
Current:					
General government	2,814	365	221,859	79,379	9,917
Human services	-	-	5,170	644,282	3,212
Natural resources and recreation	1,041	-	9,001	853	436,374
Transportation	1,241,872	483,356	33,652	6,421	767
Education	-	-	32,379	58,410	160
Intergovernmental	240,462	2,167	46,102	1,421	69
Capital outlays	1,242,155	215,303	2,358	2,291	5,816
Debt service:					
Principal	499	200	628	156	756
Interest	238	208	781	71	3,458
Total Expenditures	2,729,081	701,599	351,930	793,284	460,529
Excess of Revenues Over (Under) Expenditures	(370,358)	(159,350)	32,141	85,548	95,141
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	47,320	-	-	-
Bond issue premiums	-	774	-	-	7
Other debt issued	-	-	-	-	126
Transfers in	181,776	50,803	40,606	35,927	45,113
Transfers out	(569,046)	(85,798)	(126,873)	(138,135)	(169,127)
Total Other Financing Sources (Uses)	(387,270)	13,099	(86,267)	(102,208)	(123,881)
Net Change in Fund Balances	(757,628)	(146,251)	(54,126)	(16,660)	(28,740)
Fund Balances - Beginning, as restated	1,581,899	84,079	266,851	445,309	1,266,458
Fund Balances - Ending	$ 824,271	$ (62,172)	$ 212,725	$ 428,649	$ 1,237,718

Local Construction and Loan	Total
$ -	$ 74,290
-	4,672
-	32,707
-	1,205,859
1,707	225,088
168	982,663
99,748	171,734
-	36,910
-	1,242,123
-	522,760
9,653	64,532
18,254	285,737
129,530	4,849,075
4,730	319,064
20	652,684
10	447,279
-	1,766,068
56,210	147,159
-	290,221
10	1,467,933
-	2,239
-	4,756
60,980	5,097,403
68,550	(248,328)
-	47,320
-	781
-	126
21,863	376,088
(162,507)	(1,251,486)
(140,644)	(827,171)
(72,094)	(1,075,499)
1,129,222	4,773,818
$ 1,057,128	$ 3,698,319

NONMAJOR SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2011

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2009-11 Biennium	**Final Budget 2009-11 Biennium**	**Actual 2009-11 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 314,526	$ 314,526	$ 314,526	$ -
Resources				
Taxes	2,025,279	1,880,352	1,917,145	36,793
Licenses, permits, and fees	778,724	752,612	757,148	4,536
Other contracts and grants	5,269	3,066	2,954	(112)
Timber sales	-	27	40	13
Federal grants-in-aid	1,061,784	1,224,169	1,052,672	(171,497)
Charges for services	509,092	499,224	473,686	(25,538)
Investment income (loss)	15,172	25,921	27,646	1,725
Miscellaneous revenue	52,097	93,449	60,087	(33,362)
Dividend income	-	-	-	-
Transfers from other funds	599,934	438,562	265,907	(172,655)
Total Resources	5,361,877	5,231,908	4,871,811	(360,097)
Charges To Appropriations				
General government	20,780	18,452	17,027	1,425
Human services	-	-	-	-
Natural resources and recreation	2,493	2,483	2,476	7
Transportation	1,603,037	1,662,069	1,602,117	59,952
Education	-	-	-	-
Capital outlays	4,428,611	4,048,639	3,589,411	459,228
Transfers to other funds	1,393,562	1,125,250	968,883	156,367
Debt service	-	18	18	-
Total Charges To Appropriations	7,448,483	6,856,911	6,179,932	676,979
Excess Available For Appropriation Over (Under) Charges To Appropriations	(2,086,606)	(1,625,003)	(1,308,121)	316,882
Reconciling Items				
Bond sale proceeds	2,230,650	2,258,685	2,060,820	(197,865)
Bond issue premiums	-	32,568	32,569	1
Refunding COPs Issued	-	1,710	1,710	-
Payments to refunded COP escrow agents	-	(1,800)	(1,800)	-
Entity adjustments (net)	-	-	(2,452)	(2,452)
Changes in reserves (net)	-	-	637	637
Total Reconciling Items	2,230,650	2,291,163	2,091,484	(199,679)
Budgetary Fund Balance, June 30	$ 144,044	$ 666,160	$ 783,363	$ 117,203

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget	Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
$ 100,839	$ 100,839	$ 100,839	$ -	$ 307,781	$ 307,781	$ 307,781	$ -
112,685	103,176	104,605	1,429	60,427	71,119	18,945	(52,174)
266,852	271,373	270,261	(1,112)	207,108	211,528	113,126	(98,402)
-	50	610	560	7,001	4,562	-	(4,562)
-	40	40	-	7,815	10,248	9,411	(837)
42,241	164,622	53,212	(111,410)	127,686	134,324	100,267	(34,057)
43,186	39,105	2,617	(36,488)	118,006	108,617	40,218	(68,399)
1,465	3,989	2,975	(1,014)	39,585	54,762	56,830	2,068
33,661	52,014	31,417	(20,597)	37,818	55,938	24,076	(31,862)
-	-	-	-	-	1	-	(1)
72,397	80,140	73,078	(7,062)	98,035	79,994	58,408	(21,586)
673,326	815,348	639,654	(175,694)	1,011,262	1,038,874	729,062	(309,812)
301	2,045	505	1,540	346,261	376,360	299,700	76,660
-	-	-	-	7,424	7,976	7,491	485
-	-	-	-	20,205	22,061	17,265	4,796
406,426	371,726	337,877	33,849	68,823	71,109	58,755	12,354
-	-	-	-	-	-	-	-
261,027	413,739	300,341	113,398	3,398	3,314	2,008	1,306
104,870	131,649	123,443	8,206	142,934	277,710	187,953	89,757
-	22	22	-	-	-	-	-
772,624	919,181	762,188	156,993	589,045	758,530	573,172	185,358
(99,298)	(103,833)	(122,534)	(18,701)	422,217	280,344	155,890	(124,454)
74,422	280,755	61,365	(219,390)	-	-	-	-
-	1,155	1,929	774	-	-	-	-
-	2,150	2,150	-	-	-	-	-
-	(2,262)	(2,262)	-	-	-	-	-
-	-	(4,236)	(4,236)	-	-	50,454	50,454
-	-	203	203	-	-	391	391
74,422	281,798	59,149	(222,649)	-	-	50,845	50,845
$ (24,876)	$ 177,965	$ (63,385)	$ (241,350)	$ 422,217	$ 280,344	$ 206,735	$ (73,609)

NONMAJOR SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2011

(expressed in thousands)

	Human Services			
	Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 371,512	$ 371,512	$ 371,512	$ -
Resources				
Taxes	57,396	59,895	50,242	(9,653)
Licenses, permits, and fees	142,678	319,484	400,207	80,723
Other contracts and grants	4,840	60,246	3,692	(56,554)
Timber sales	-	-	-	-
Federal grants-in-aid	604,842	585,394	422,944	(162,450)
Charges for services	397,448	456,445	262,437	(194,008)
Investment income (loss)	1,848	1,755	10,374	8,619
Miscellaneous revenue	188,620	412,429	135,614	(276,815)
Dividend income	-	375	-	(375)
Transfers from other funds	371,933	144,070	183,352	39,282
Total Resources	2,141,117	2,411,605	1,840,374	(571,231)
Charges To Appropriations				
General government	109,914	114,697	97,352	17,345
Human services	623,802	923,038	876,683	46,355
Natural resources and recreation	1,670	1,663	1,622	41
Transportation	15,328	15,004	12,685	2,319
Education	-	-	-	-
Capital outlays	212,830	230,060	97,621	132,439
Transfers to other funds	598,718	364,029	412,090	(48,061)
Debt service	-	-	-	-
Total Charges To Appropriations	1,562,262	1,648,491	1,498,053	150,438
Excess Available For Appropriation Over (Under) Charges To Appropriations	578,855	763,114	342,321	(420,793)
Reconciling Items				
Bond sale proceeds	-	-	-	-
Bond issue premiums	-	-	-	-
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Entity adjustments (net)	-	-	(9,102)	-
Changes in reserves (net)	-	-	(1,376)	(1,376)
Total Reconciling Items	-	-	(10,478)	(1,376)
Budgetary Fund Balance, June 30	$ 578,855	$ 763,114	$ 331,843	$ (422,169)

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget	Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
$ 375,179	$ 375,179	$ 375,179	$ -	$ 246,744	$ 246,744	$ 246,744	$ -
228,480	342,530	365,890	23,360	165,460	73,462	75,189	1,727
277,184	260,207	172,840	(87,367)	468	375	-	(375)
4,360	1,983	773	(1,210)	-	-	-	-
115,675	148,201	110,049	(38,152)	55,292	155,927	130,725	(25,202)
230,040	89,120	98,445	9,325	-	-	-	-
6,185	19,473	17,938	(1,535)	-	-	-	-
2,684	1,665	27,209	25,544	3,838	1,524	22,067	20,543
365,044	463,992	386,567	(77,425)	1,138,505	804,869	263,880	(540,989)
-	-	-	-	-	-	-	-
21,209	27,208	8,273	(18,935)	78,187	164,728	30,101	(134,627)
1,626,040	1,729,558	1,563,163	(166,395)	1,688,494	1,447,629	768,706	(678,923)
108	108	110	(2)	3,745	3,728	3,514	214
5,368	6,114	5,299	815	-	-	-	-
576,872	589,791	521,959	67,832	-	-	-	-
1,426	1,420	1,173	247	-	-	-	-
450	449	299	150	-	-	-	-
404,848	575,842	225,576	350,266	828,740	637,877	173,950	463,927
124,403	245,116	234,117	10,999	398,873	632,377	480,033	152,344
-	-	-	-	-	-	-	-
1,113,475	1,418,840	988,533	430,307	1,231,358	1,273,982	657,497	616,485
512,565	310,718	574,630	263,912	457,136	173,647	111,209	(62,438)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	48,847	48,847	-	-	(1,217)	(1,217)
-	-	(31,426)	(31,426)	-	-	1,605	1,605
-	-	17,421	17,421	-	-	388	388
$ 512,565	$ 310,718	$ 592,051	$ 281,333	$ 457,136	$ 173,647	$ 111,597	$ (62,050)

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Nonmajor

Debt Service Funds

Debt Service Funds account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities. Debt Service Funds are described below:

General Obligation Bond Fund

The General Obligation Bond Fund accounts for the accumulation of resources for, and the payment of, non-transportation related general obligation bond principal and interest.

Transportation General Obligation Bond Fund

The Transportation General Obligation Bond Fund accounts for the accumulation of resources for, and payment of, general obligation transportation bond principal and interest.

Tobacco Settlement Securitization Bond Fund

The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2011

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
ASSETS				
Cash and pooled investments	$ 14,827	$ 161,180	$ 59,097	$ 235,104
Investments	6,966	-	-	6,966
Other receivables (net of allowance)	-	287	20,832	21,119
Due from other funds	2,231	209	-	2,440
Total Assets	$ 24,024	$ 161,676	$ 79,929	$ 265,629
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	$ 4	$ 7	$ 11	$ 22
Due to other funds	9	262	-	271
Total Liabilities	13	269	11	293
Fund Balances:				
Restricted fund balance	6,979	-	79,918	86,897
Committed fund balance	17,032	161,407	-	178,439
Total Fund Balances	24,011	161,407	79,918	265,336
Total Liabilities and Fund Balances	$ 24,024	$ 161,676	$ 79,929	$ 265,629

NONMAJOR DEBT SERVICE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
REVENUES				
Investment income (loss)	$ 74	$ (116)	$ 101	$ 59
Charges for services	-	-	41,588	41,588
Miscellaneous revenue	14,275	17,323	-	31,598
Total Revenues	14,349	17,207	41,689	73,245
EXPENDITURES				
Current:				
General government	-	-	121	121
Debt service:				
Principal	469,088	162,434	16,215	647,737
Interest	521,486	260,157	27,531	809,174
Total Expenditures	990,574	422,591	43,867	1,457,032
Excess of Revenues Over (Under) Expenditures	(976,225)	(405,384)	(2,178)	(1,383,787)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	767,040	393,950	-	1,160,990
Payments to escrow agents for refunded bond debt	(887,753)	(451,619)	-	(1,339,372)
Refunding COPs issued	9,310	-	-	9,310
Payments to escrow agents for refunded COP debt	(11,054)	-	-	(11,054)
Bond issue premiums	123,518	58,650	-	182,168
Transfers in	1,026,778	421,291	-	1,448,069
Transfers out	(64,337)	-	-	(64,337)
Total Other Financing Sources (Uses)	963,502	422,272	-	1,385,774
Net Change in Fund Balances	(12,723)	16,888	(2,178)	1,987
Fund Balances - Beginning	36,734	144,519	82,096	263,349
Fund Balances - Ending	$ 24,011	$ 161,407	$ 79,918	$ 265,336

NONMAJOR DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2011

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 33,790	$ 33,790	$ 33,790	$ -
Resources				
Timber sales	2,000	-	-	-
Charges for services	22,038	15,041	-	(15,041)
Investment income (loss)	243	185	-	(185)
Miscellaneous revenue	2,026	2	-	(2)
Transfers from other funds	216,268	202,789	157,483	(45,306)
Total Resources	276,365	251,807	191,273	(60,534)
Charges To Appropriations				
General government	162,526	155,334	154,479	855
Transfers to other funds	65,793	50,900	3,004	47,896
Debt service	-	4,211	6,904	(2,693)
Total Charges To Appropriations	228,319	210,445	164,387	46,058
Excess Available For Appropriation Over (Under) Charges To Appropriations	48,046	41,362	26,886	(14,476)
Reconciling Items				
Proceeds of refunding bonds	-	(56,861)	1,368,920	1,425,781
Payments to escrow agents for refunded bond debt	-	-	(1,546,494)	(1,546,494)
Bond issue premium	-	61,072	184,478	123,406
Entity adjustments (net)	-	-	(9,779)	(9,779)
Total Reconciling Items	-	4,211	(2,875)	(7,086)
Budgetary Fund Balance, June 30	$ 48,046	$ 45,573	$ 24,011	$ (21,562)

Transportation General Obligation Bond			
Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
$ 148,976	$ 148,976	$ 148,976	$ -
-	-	-	-
-	-	-	-
1,179	756	1,963	1,207
-	29,226	24,560	(4,666)
915,836	762,837	762,624	(213)
1,065,991	941,795	938,123	(3,672)
798,712	775,697	775,676	21
1,536	4,179	-	4,179
-	559	1,540	(981)
800,248	780,435	777,216	3,219
265,743	161,360	160,907	(453)
-	(12,492)	515,185	527,677
-	-	(585,346)	(585,346)
-	13,051	71,701	58,650
-	-	(1,040)	(1,040)
-	559	500	(59)
$ 265,743	$ 161,919	$ 161,407	$ (512)

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Nonmajor
Capital Projects Funds

Capital Projects Funds account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds). The Capital Projects Funds are as follows:

State Facilities Fund
The State Facilities Fund accounts for the acquisition, construction and remodeling of state buildings.

Higher Education Facilities Fund
The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet

June 30, 2011

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	$ 156,973	$ 77,658	$ 234,631
Investments	-	6,907	6,907
Other receivables (net of allowance)	4,544	5,873	10,417
Due from other funds	23,552	300,671	324,223
Due from other governments	5,234	12,204	17,438
Restricted assets:			
Cash and pooled investments	-	77,549	77,549
Total Assets	$ 190,303	$ 480,862	$ 671,165
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 19,416	$ 27,783	$ 47,199
Contracts and retainages payable	13,603	3,107	16,710
Accrued liabilities	2,263	1,303	3,566
Due to other funds	28,487	310,302	338,789
Due to other governments	38,885	1	38,886
Deferred revenue	4,213	21,986	26,199
Total Liabilities	106,867	364,482	471,349
Fund Balances:			
Nonspendable fund balance	5,094	-	5,094
Restricted fund balance	73,782	69,767	143,549
Committed fund balance	4,560	46,613	51,173
Total Fund Balances	83,436	116,380	199,816
Total Liabilities and Fund Balances	$ 190,303	$ 480,862	$ 671,165

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Timber sales	$ 8,129	$ -	$ 8,129
Other contracts and grants	-	3,518	3,518
Federal grants-in-aid	-	1,265	1,265
Charges for services	-	55,911	55,911
Investment income (loss)	18	855	873
Miscellaneous revenue	4,294	19,235	23,529
Total Revenues	12,441	80,784	93,225
EXPENDITURES			
Current:			
General government	132,645	-	132,645
Human services	7,845	-	7,845
Natural resources and recreation	131,091	-	131,091
Transportation	1,198	-	1,198
Education	178,138	83,839	261,977
Capital outlays	363,135	303,315	666,450
Debt service:			
Principal	8	2,007	2,015
Interest	-	2,102	2,102
Total Expenditures	814,060	391,263	1,205,323
Excess of Revenues Over (Under) Expenditures	(801,619)	(310,479)	(1,112,098)
OTHER FINANCING SOURCES (USES)			
Bonds issued	534,506	-	534,506
Bond issue premiums	36,246	-	36,246
Other debt issued	-	118,475	118,475
Transfers in	5,293	949,051	954,344
Transfers out	(31,650)	(860,336)	(891,986)
Total Other Financing Sources (Uses)	544,395	207,190	751,585
Net Change in Fund Balances	(257,224)	(103,289)	(360,513)
Fund Balances - Beginning, as restated	340,660	219,669	560,329
Fund Balances - Ending	$ 83,436	$ 116,380	$ 199,816

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2011

(expressed in thousands)

	State Facilities			
	Original Budget 2009-11 Biennium	**Final Budget 2009-11 Biennium**	**Actual 2009-11 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 248,137	$ 248,137	$ 248,137	$ -
Resources				
Timber sales	11,778	15,543	16,417	874
Charges for services	-	-	-	-
Investment income (loss)	-	(52)	(57)	(5)
Miscellaneous revenue	8,938	11,008	10,594	(414)
Transfers from other funds	6,424	8,671	8,782	111
Total Resources	275,277	283,307	283,873	566
Charges To Appropriations				
General government	12,980	12,980	5,044	7,936
Capital outlays	2,449,145	2,377,241	1,714,678	662,563
Capital outlays	95,519	155,025	49,746	105,279
Total Charges To Appropriations	2,557,644	2,545,246	1,769,468	775,778
Excess Available For Appropriation Over (Under) Charges To Appropriations	(2,282,367)	(2,261,939)	(1,485,595)	776,344
Reconciling Items				
Bond sale proceeds	2,501,150	2,432,405	1,451,319	(981,086)
Bond issue premiums	-	76,274	112,520	36,246
Changes in reserves (net)	-	-	51	51
Entity adjustments (net)	-	-	47	47
Total Reconciling Items	2,501,150	2,508,679	1,563,937	(944,742)
Budgetary Fund Balance, June 30	$ 218,783	$ 246,740	$ 78,342	$ (168,398)

Higher Education Facilities			
Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
$ 41,046	$ 41,046	$ 41,046	$ -
-	-	(2)	(2)
91,823	108,334	104,722	(3,612)
905	519	1,182	663
6,411	6,944	626	(6,318)
82,096	100,084	111,577	11,493
222,281	256,927	259,151	2,224
278	278	86	192
253,487	303,577	267,039	36,538
7,388	7,642	14,269	(6,627)
261,153	311,497	281,394	30,103
(38,872)	(54,570)	(22,243)	32,327
46,226	56,461	20,085	(36,376)
-	1,520	1,520	-
-	-	-	-
-	-	117,018	117,018
46,226	57,981	138,623	80,642
$ 7,354	$ 3,411	$ 116,380	$ 112,969

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Nonmajor

Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are described below:

Liquor Fund

The Liquor Fund accounts for the administration and operation of state liquor stores and warehouses; the distribution of net proceeds; and the enforcement of state liquor laws.

Convention and Trade Fund

The Convention and Trade Fund accounts for the acquisition, design, construction, promotion, and operation of the State Convention and Trade Center.

Lottery Fund

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund

The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Fund Net Assets

June 30, 2011

(expressed in thousands)

	Liquor	Convention and Trade*	Lottery	Institutional	Total
ASSETS					
Current Assets:					
Cash and pooled investments	$ 37,415	$ -	$ 13,935	$ 4,385	$ 55,735
Investments	-	-	45,439	-	45,439
Taxes receivable (net of allowance)	10,514	-	-	-	10,514
Other receivables (net of allowance)	4,231	-	19,078	2,612	25,921
Due from other funds	1,009	-	533	6,803	8,345
Due from other governments	-	-	-	460	460
Inventories	49,065	-	380	6,523	55,968
Prepaid expenses	-	-	647	162	809
Total Current Assets	102,234	-	80,012	20,945	203,191
Noncurrent Assets:					
Investments, noncurrent	-	-	222,161	-	222,161
Other noncurrent assets	-	-	3	-	3
Capital assets:					
Land and other non-depreciable assets	177	-	-	1,538	1,715
Buildings	28,777	-	-	12,828	41,605
Other improvements	97	-	661	1,668	2,426
Furnishings and equipment	31,136	-	749	19,031	50,916
Intangible assets	1,029	-	-	-	1,029
Accumulated depreciation	(32,748)	-	(1,136)	(14,233)	(48,117)
Total Noncurrent Assets	28,468	-	222,438	20,832	271,738
Total Assets	130,702	-	302,450	41,777	474,929
LIABILITIES					
Current Liabilities:					
Accounts payable	22,871	-	5,542	5,177	33,590
Accrued liabilities	22,174	-	76,428	1,849	100,451
Bonds and notes payable	2,465	-	-	670	3,135
Due to other funds	16,626	-	14,394	1,103	32,123
Unearned revenue	-	-	-	12	12
Total Current Liabilities	64,136	-	96,364	8,811	169,311
Noncurrent Liabilities:					
Bonds and notes payable	5,295	-	-	7,034	12,329
Other long-term liabilities	15,003	-	195,312	3,727	214,042
Total Noncurrent Liabilities	20,298	-	195,312	10,761	226,371
Total Liabilities	84,434	-	291,676	19,572	395,682
NET ASSETS					
Invested in capital assets, net of related debt	20,708	-	276	13,130	34,114
Unrestricted	25,560	-	10,498	9,075	45,133
Total Net Assets (Deficit)	$ 46,268	$ -	$ 10,774	$ 22,205	$ 79,247

* Refer to Note 2.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional	Total
OPERATING REVENUES					
Sales	$ 595,327	$ -	$ -	$ 64,870	$ 660,197
Less: Cost of goods sold	381,684	-	-	47,483	429,167
Gross profit	213,643	-	-	17,387	231,030
Charges for services	363	8,022	-	-	8,385
Lottery ticket proceeds	-	-	510,457	-	510,457
Miscellaneous revenue	-	-	162	1,538	1,700
Total Operating Revenues	214,006	8,022	510,619	18,925	751,572
OPERATING EXPENSES					
Salaries and wages	47,018	3,615	7,524	12,948	71,105
Employee benefits	24,556	2,042	2,743	5,024	34,365
Personal services	73	3,305	12,136	2	15,516
Goods and services	56,110	2,954	54,828	555	114,447
Travel	985	5	382	220	1,592
Lottery prize payments	-	-	295,155	-	295,155
Depreciation and amortization	3,395	3,971	121	1,042	8,529
Miscellaneous expenses	139	-	58	29	226
Total Operating Expenses	132,276	15,892	372,947	19,820	540,935
Operating Income (Loss)	81,730	(7,870)	137,672	(895)	210,637
NONOPERATING REVENUES (EXPENSES)					
Earnings (loss) on investments	-	-	6,354	-	6,354
Interest expense	(424)	(2,809)	(14,982)	(330)	(18,545)
Distributions to other governments	(41,829)	-	(5,299)	-	(47,128)
Tax and license revenue	117,329	35,310	13	-	152,652
Other revenues (expenses)	41	-	-	(765)	(724)
Total Nonoperating Revenues (Expenses)	75,117	32,501	(13,914)	(1,095)	92,609
Income (Loss) Before Transfers and Special Item	156,847	24,631	123,758	(1,990)	303,246
Transfers in	17,410	-	12,432	48	29,890
Transfers out	(169,964)	-	(157,260)	(97)	(327,321)
Net Contributions and Transfers	(152,554)	-	(144,828)	(49)	(297,431)
SPECIAL ITEM					
Transfer of Convention and Trade Center to another government (Note 2)	-	(222,794)	-	-	(222,794)
Change in Net Assets	4,293	(198,163)	(21,070)	(2,039)	(216,979)
Net Assets (Deficit) - Beginning, as restated	41,975	198,163	31,844	24,244	296,226
Net Assets (Deficit) - Ending	$ 46,268	$ -	$ 10,774	$ 22,205	$ 79,247

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	Liquor	Convention and Trade	Lottery
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 594,509	$ 7,855	$ 507,832
Payments to suppliers	(431,081)	(5,951)	(410,369)
Payments to employees	(68,950)	(5,801)	(9,899)
Other receipts (payments)	(26)	-	161
Net Cash Provided (Used) by Operating Activities	94,452	(3,897)	87,725
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	17,410	-	12,432
Transfers out	(169,964)	-	(157,260)
Operating grants and donations received	25	-	-
Taxes and license fees collected	116,604	35,309	13
Distributions to other governments	(41,829)	(53,422)	(5,299)
Net Cash Provided (Used) by Noncapital Financing Activities	(77,754)	(18,113)	(150,114)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(424)	(2,809)	-
Principal payments on long-term capital financing	(2,350)	(270,948)	-
Proceeds from sale of capital assets	104	271,629	-
Acquisitions of capital assets	(805)	(3,910)	(41)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,475)	(6,038)	(41)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	-	-	88
Proceeds from sale of investment securities	-	-	101,070
Purchases of investment securities	-	-	(50,535)
Net Cash Provided (Used) by Investing Activities	-	-	50,623
Net Increase (Decrease) in Cash and Pooled Investments	13,223	(28,048)	(11,807)
Cash and Pooled Investments, July 1	24,192	28,048	25,742
Cash and Pooled Investments, June 30	$ 37,415	$ -	$ 13,935
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 81,730	$ (7,870)	$ 137,672
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	3,395	3,971	121
Change in Assets: Decrease (Increase)			
Receivables (net of allowance)	(1,071)	(153)	(2,566)
Inventories	(977)	-	118
Prepaid expenses	1	(135)	287
Change in Liabilities: Increase (Decrease)			
Payables	11,374	290	(47,907)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 94,452	$ (3,897)	$ 87,725
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of annuity prize liability	$ -	$ -	$ 14,982
Increase (decrease) in fair value of investments	-	-	6,266

Institutional	Total
$ 60,868	$ 1,171,064
(47,027)	(894,428)
(17,384)	(102,034)
1,539	1,674
(2,004)	176,276
48	29,890
(97)	(327,321)
-	25
-	151,926
-	(100,550)
(49)	(246,030)
(330)	(3,563)
(693)	(273,991)
108	271,841
(92)	(4,848)
(1,007)	(10,561)
-	88
-	101,070
-	(50,535)
-	50,623
(3,060)	(29,692)
7,445	85,427
$ 4,385	$ 55,735
$ (895)	$ 210,637
1,042	8,529
(4,006)	(7,796)
728	(131)
(88)	65
1,215	(35,028)
$ (2,004)	$ 176,276
$ -	$ 14,982
-	6,266

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Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) operation and management of real estate; (3) facilities and related services; (4) operations of the motor pool; (5) auditing of state and local governmental units; (6) administration of the state civil service law; (7) administrative hearings; and (8) archives and records management.

Data Processing Revolving Fund

The Data Processing Revolving Fund accounts for distribution and apportionment of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Printing Services Fund

The Printing Services Fund accounts for the operation of the state printing plant.

Higher Education Revolving Fund

The Higher Education Revolving Fund accounts for stores, data processing, educational, operational printing and duplication, motor pool, and other support service activities at colleges and universities.

Risk Management Fund

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except for the University of Washington and the Department of Transportation Ferries Division.

Health Insurance Fund

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

INTERNAL SERVICE FUNDS

Combining Statement of Fund Net Assets

June 30, 2011

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
ASSETS				
Current Assets:				
Cash and pooled investments	$ 156,332	$ 42,558	$ 782	$ 145,875
Investments	-	-	-	400
Other receivables (net of allowance)	688	3,231	2	6,601
Due from other funds	35,633	20,786	2,481	14,550
Due from other governments	1,304	4,842	28	1,766
Inventories	5,815	705	874	9,815
Prepaid expenses	2,480	1,955	19	15
Restricted assets:				
Receivables	9,438	-	-	-
Total Current Assets	211,690	74,077	4,186	179,022
Noncurrent Assets:				
Investments, noncurrent	-	-	-	4,399
Capital assets:				
Land and other non-depreciable assets	3,806	-	-	30
Buildings	139,554	-	-	28,913
Other improvements	12,631	2,786	-	97
Furnishings and equipment	427,068	239,951	8,779	108,188
Infrastructure	1,818	-	-	-
Intangible assets	-	-	-	4,901
Accumulated depreciation	(274,027)	(173,897)	(6,499)	(100,335)
Construction in progress	33,204	-	-	50
Total Noncurrent Assets	344,054	68,840	2,280	46,243
Total Assets	555,744	142,917	6,466	225,265
LIABILITIES				
Current Liabilities:				
Accounts payable	10,764	18,321	2,472	8,222
Contracts and retainages payable	1,451	24	22	304
Accrued liabilities	19,233	2,171	250	28,107
Bonds and notes payable	44,767	9,317	214	1,487
Due to other funds	5,343	2,877	337	22,380
Due to other governments	40,449	6	-	20
Unearned revenue	528	3	-	266
Claims and judgments payable	-	-	-	14,596
Total Current Liabilities	122,535	32,719	3,295	75,382
Noncurrent Liabilities:				
Claims and judgments payable	-	-	-	35,497
Bonds and notes payable	139,459	25,573	574	15,358
Other long-term liabilities	12,695	4,818	403	5,479
Total Noncurrent Liabilities	152,154	30,391	977	56,334
Total Liabilities	274,689	63,110	4,272	131,716
NET ASSETS				
Invested in capital assets, net of related debt	201,993	33,949	1,491	24,999
Unrestricted	79,062	45,858	703	68,550
Total Net Assets (Deficit)	$ 281,055	$ 79,807	$ 2,194	$ 93,549

Risk Management	Health Insurance	Total
$ 96,401	$ 239,696	$ 681,644
-	13,708	14,108
-	6,498	17,020
428	68,037	141,915
-	2,502	10,442
-	-	17,209
-	-	4,469
-	-	9,438
96,829	330,441	896,245
-	45,852	50,251
-	-	3,836
-	-	168,467
-	-	15,514
15	3,436	787,437
-	-	1,818
-	-	4,901
(15)	(3,260)	(558,033)
-	-	33,254
-	46,028	507,445
96,829	376,469	1,403,690
28	67,076	106,883
-	39,912	41,713
57	517	50,335
-	-	55,785
4,663	68,584	104,184
-	-	40,475
59	371	1,227
145,089	84,990	244,675
149,896	261,450	645,277
557,543	-	593,040
-	-	180,964
105	428	23,928
557,648	428	797,932
707,544	261,878	1,443,209
-	175	262,607
(610,715)	114,416	(302,126)
$ (610,715)	$ 114,591	$ (39,519)

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
OPERATING REVENUES				
Sales	$ 12,175	$ 48,165	$ 23,035	$ 16,406
Less: Cost of goods sold	11,574	47,251	19,242	13,851
Gross profit	601	914	3,793	2,555
Charges for services	251,210	142,261	-	194,205
Premiums and assessments	261	-	-	-
Miscellaneous revenue	102,794	159	-	5,624
Total Operating Revenues	354,866	143,334	3,793	202,384
OPERATING EXPENSES				
Salaries and wages	137,981	43,177	2,053	80,414
Employee benefits	43,913	11,987	663	24,162
Personal services	4,960	1,504	-	7,630
Goods and services	123,630	74,923	1,423	21,725
Travel	1,831	113	4	1,284
Premiums and claims	-	-	-	-
Depreciation and amortization	31,677	21,680	245	16,597
Miscellaneous expenses	1,345	23	-	437
Total Operating Expenses	345,337	153,407	4,388	152,249
Operating Income (Loss)	9,529	(10,073)	(595)	50,135
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	152	-	3	4,581
Interest expense	(6,765)	(1,163)	(37)	(996)
Tax & license revenue	23	-	-	-
Other revenues (expenses)	(808)	(654)	-	(1,831)
Total Nonoperating Revenues (Expenses)	(7,398)	(1,817)	(34)	1,754
Income (Loss) Before Contributions and Transfers	2,131	(11,890)	(629)	51,889
Capital contributions	1,771	-	-	-
Transfers in	5,466	8,250	-	10,204
Transfers out	-	(6,296)	-	(11,101)
Net Contributions and Transfers	7,237	1,954	-	(897)
Change in Net Assets	9,368	(9,936)	(629)	50,992
Net Assets (Deficit) - Beginning, as restated	271,687	89,743	2,823	42,557
Net Assets (Deficit) - Ending	$ 281,055	$ 79,807	$ 2,194	$ 93,549

Risk Management	Health Insurance	Total
$ -	$ -	$ 99,781
-	-	91,918
-	-	7,863
2,954	-	590,630
85,173	1,364,297	1,449,731
-	12,715	121,292
88,127	1,377,012	2,169,516
1,286	6,110	271,021
357	1,953	83,035
117	1,436	15,647
18,210	6,488	246,399
19	56	3,307
62,738	1,204,543	1,267,281
-	552	70,751
-	352	2,157
82,727	1,221,490	1,959,598
5,400	155,522	209,918
-	90	4,826
-	-	(8,961)
-	-	23
-	-	(3,293)
-	90	(7,405)
5,400	155,612	202,513
-	-	1,771
-	-	23,920
-	-	(17,397)
-	-	8,294
5,400	155,612	210,807
(616,115)	(41,021)	(250,326)
$ (610,715)	$ 114,591	$ (39,519)

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 260,238	$ 183,651	$ 22,940
Payments to suppliers	(196,315)	(119,243)	(20,788)
Payments to employees	(183,426)	(55,331)	(2,745)
Other receipts (payments)	86,271	159	-
Net Cash Provided (Used) by Operating Activities	(33,232)	9,236	(593)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	5,466	8,250	-
Transfers out	-	(6,296)	-
Operating grants and donations received	43	21	-
Taxes and license fees collected	23	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	5,532	1,975	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(6,765)	(1,163)	(37)
Principal payments on long-term capital financing	(13,075)	(10,938)	(206)
Proceeds from long-term capital financing	22,851	9,112	-
Proceeds from sale of capital assets	3,005	69	26
Acquisitions of capital assets	(41,492)	(22,919)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(35,476)	(25,839)	(217)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	187	-	3
Proceeds from sale of investment securities	-	-	-
Purchases of investment securities	-	-	-
Net Cash Provided (Used) by Investing Activities	187	-	3
Net Increase (Decrease) in Cash and Pooled Investments	(62,989)	(14,628)	(807)
Cash and Pooled Investments, July 1, as restated	219,321	57,186	1,589
Cash and Pooled Investments, June 30	$ 156,332	$ 42,558	$ 782
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 9,529	$ (10,073)	$ (595)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	31,677	21,680	245
Change in Assets: Decrease (Increase)			
Receivables (net of allowance)	(3,841)	(6,674)	(95)
Inventories	(613)	258	(340)
Prepaid expenses	(676)	1,267	28
Change in Liabilities: Increase (Decrease)			
Payables	(69,308)	2,778	164
Net Cash or Cash Equivalents Provided by (Used In) Operating Activities	$ (33,232)	$ 9,236	$ (593)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 1,771	$ -	$ -
Acquisition of capital assets through capital leases	-	-	-
Increase (decrease) in fair value of investments	35	-	-

Higher Education Revolving	Risk Management	Health Insurance	Total
$ 260,947	$ 89,421	$ 1,354,240	$ 2,171,437
(60,759)	(107,160)	(1,159,670)	(1,663,935)
(100,181)	(1,649)	(8,145)	(351,477)
5,621	-	436	92,487
105,628	(19,388)	186,861	248,512
10,204	-	-	23,920
(11,101)	-	-	(17,397)
468	-	-	532
-	-	-	23
(429)	-	-	7,078
(996)	-	-	(8,961)
(1,371)	-	-	(25,590)
69	-	-	32,032
3,865	-	-	6,965
(27,535)	-	(65)	(92,011)
(25,968)	-	(65)	(87,565)
4,565	-	457	5,212
567	-	68,983	69,550
(3,588)	-	(56,279)	(59,867)
1,544	-	13,161	14,895
80,775	(19,388)	199,957	182,920
65,100	115,789	39,739	498,724
$ 145,875	$ 96,401	$ 239,696	$ 681,644
$ 50,135	$ 5,400	$ 155,522	$ 209,918
16,597	-	552	70,751
50,293	1,263	(22,405)	18,541
1,450	-	-	755
12	-	-	631
(12,859)	(26,051)	53,192	(52,084)
$ 105,628	$ (19,388)	$ 186,861	$ 248,512
$ -	$ -	$ -	$ 1,771
586	-	-	586
-	-	(373)	(338)

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Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

Suspense Fund

The Suspense Fund accounts for receipts where final disposition is pending.

Local Government Distributions Fund

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

Pooled Investments Fund

The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund

The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2011

(expressed in thousands)

	Suspense	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS					
Cash and pooled investments	$ 3,154	$ 230,041	$ 8,879	$ 52,111	$ 294,185
Other receivables	-	406	248	6,916	7,570
Due from other funds	-	-	-	479	479
Due from other governments	-	-	15,129	4,055	19,184
Investments, noncurrent	-	-	28,151	192	28,343
Other noncurrent assets	-	-	-	40,842	40,842
Total Assets	$ 3,154	$ 230,447	$ 52,407	$ 104,595	$ 390,603
LIABILITIES					
Accounts payable	$ 21	$ -	$ 1,489	$ 3,934	$ 5,444
Contracts and retainages payable	13	-	50,901	9,431	60,345
Accrued liabilities	3,117	-	17	3,776	6,910
Due to other funds	2	135	-	38,200	38,337
Due to other governments	1	230,312	-	8,411	238,724
Other long-term liabilities	-	-	-	40,843	40,843
Total Liabilities	$ 3,154	$ 230,447	$ 52,407	$ 104,595	$ 390,603

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and pooled investments	$ 4,473	$ 1,584,501	$ 1,585,820	$ 3,154
Other receivables	8	25,357	25,365	-
Due from other funds	-	5,876	5,876	-
Total Assets	$ 4,481	$ 1,617,611	$ 1,618,938	$ 3,154
LIABILITIES				
Accounts payable	$ -	$ 12,498	$ 12,477	$ 21
Contracts and retainages payable	-	87	74	13
Accrued liabilities	4,454	393,076	394,413	3,117
Due to other funds	-	557	555	2
Due to other governments	27	105,077	105,103	1
Total Liabilities	$ 4,481	$ 511,295	$ 512,622	$ 3,154
Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	$ 202,521	$ 8,486,495	$ 8,458,975	$ 230,041
Other receivables	3,961	-	3,555	406
Due from other funds	-	26,604	26,604	-
Due from other governments	7	-	7	-
Investments, noncurrent	738	6,452	7,190	-
Total Assets	$ 207,227	$ 8,519,551	$ 8,496,331	$ 230,447
LIABILITIES				
Accrued liabilities	$ 7,518	$ 185	$ 7,703	$ -
Due to other funds	-	9,643	9,508	135
Due to other governments	199,709	3,122,896	3,092,293	230,312
Other long-term obligations	-	5,831	5,831	-
Total Liabilities	$ 207,227	$ 3,138,555	$ 3,115,335	$ 230,447
Pooled Investments Fund				
ASSETS				
Cash and pooled investments	$ -	$ 765,245,648	$ 765,245,648	$ -
Other receivables	-	197,117	197,117	-
Total Assets	$ -	$ 765,442,765	$ 765,442,765	$ -
LIABILITIES				
Accounts payable	$ -	$ 464	$ 464	$ -
Accrued liabilities	-	332,439	332,439	-
Total Liabilities	$ -	$ 332,903	$ 332,903	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

Concluded

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	$ -	$ 422,226	$ 413,347	$ 8,879
Other receivables	202	119,854	119,808	248
Due from other governments	13,198	295,254	293,323	15,129
Investments, noncurrent	16,853	15,550	4,252	28,151
Total Assets	$ 30,253	$ 852,884	$ 830,730	$ 52,407
LIABILITIES				
Accounts payable	$ 6,515	$ 281,154	$ 286,180	$ 1,489
Contracts and retainages payable	23,715	159,379	132,193	50,901
Accrued liabilities	23	-	6	17
Total Liabilities	$ 30,253	$ 440,533	$ 418,379	$ 52,407
Other Agency Funds				
ASSETS				
Cash and pooled investments	$ 55,265	$ 16,361,926	$ 16,365,080	$ 52,111
Other receivables	6,442	204,416	203,942	6,916
Due from other funds	215	99,237	98,973	479
Due from other governments	4,930	11,178	12,053	4,055
Investments, noncurrent	267	23,536	23,611	192
Other noncurrent assets	32,175	8,677	10	40,842
Total Assets	$ 99,294	$ 16,708,970	$ 16,703,669	$ 104,595
LIABILITIES				
Accounts payable	$ 2,533	$ 1,156,840	$ 1,155,439	$ 3,934
Contracts and retainages payable	13,418	451,040	455,027	9,431
Accrued liabilities	41,621	5,580,831	5,618,676	3,776
Due to other funds	56	260,521	222,377	38,200
Due to other governments	9,492	78,188	79,269	8,411
Other long-term obligations	32,174	8,669	-	40,843
Total Liabilities	$ 99,294	$ 7,536,089	$ 7,530,788	$ 104,595
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	$ 262,259	$ 792,100,796	$ 792,068,870	$ 294,185
Other receivables	10,613	546,744	549,787	7,570
Due from other funds	215	131,717	131,453	479
Due from other governments	18,135	308,210	307,161	19,184
Investments, noncurrent	17,858	45,637	35,152	28,343
Other noncurrent assets	32,175	8,677	10	40,842
Total Assets	$ 341,255	$ 793,141,781	$ 793,092,433	$ 390,603
LIABILITIES				
Accounts payable	$ 9,048	$ 1,450,956	$ 1,454,560	$ 5,444
Contracts and retainages payable	37,133	610,506	587,294	60,345
Accrued liabilities	53,616	6,306,531	6,353,237	6,910
Due to other funds	56	270,721	232,440	38,337
Due to other governments	209,228	3,306,161	3,276,665	238,724
Other long-term obligations	32,174	14,500	5,831	40,843
Total Liabilities	$ 341,255	$ 11,959,375	$ 11,910,027	$ 390,603

Nonmajor
Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission

The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

Washington Health Care Facilities Authority

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

Washington Higher Education Facilities Authority

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

Washington Economic Development Finance Authority

The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS

Combining Statement of Fund Net Assets

June 30, 2011

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS					
Current Assets:					
Cash and pooled investments	$ 23,173	$ 325	$ 1,930	$ 318	$ 25,746
Investments	38,321	3,515	-	202	42,038
Other receivables (net of allowance)	1,001	224	3	-	1,228
Prepaid expenses	91	8	10	-	109
Total Current Assets	62,586	4,072	1,943	520	69,121
Noncurrent Assets:					
Other noncurrent assets	87,430	-	-	-	87,430
Capital assets:					
Furnishings, equipment and intangible assets	1,596	-	-	-	1,596
Accumulated depreciation	(1,376)	-	-	-	(1,376)
Total Noncurrent Assets	87,650	-	-	-	87,650
Total Assets	150,236	4,072	1,943	520	156,771
LIABILITIES					
Current Liabilities:					
Accounts payable	54,728	21	89	-	54,838
Accrued liabilities	-	38	-	2	40
Unearned revenue	5,124	65	-	-	5,189
Total Current Liabilities	59,852	124	89	2	60,067
Total Liabilities	59,852	124	89	2	60,067
NET ASSETS					
Invested in capital assets, net of related debt	220	-	-	-	220
Restricted for other purposes	1,079	-	-	-	1,079
Unrestricted	89,085	3,948	1,854	518	95,405
Total Net Assets (Deficit)	$ 90,384	$ 3,948	$ 1,854	$ 518	$ 96,704

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
OPERATING REVENUES					
Charges for services	$ 13,941	$ 922	$ 446	$ 379	$ 15,688
Total Operating Revenues	13,941	922	446	379	15,688
OPERATING EXPENSES					
Salaries and wages	4,055	360	-	152	4,567
Employee benefits	1,144	85	-	39	1,268
Personal services	1,434	107	71	-	1,612
Goods and services	1,706	185	227	80	2,198
Travel	-	11	-	10	21
Depreciation and amortization	150	-	-	-	150
Miscellaneous expenses	974	5	-	-	979
Total Operating Expenses	9,463	753	298	281	10,795
Operating Income (Loss)	4,478	169	148	98	4,893
NONOPERATING REVENUES (EXPENSES)					
Earnings (loss) on investments	771	72	3	2	848
Operating grants and contributions	103,065	-	-	-	103,065
Distributions of operating grants	(102,140)	-	-	-	(102,140)
Total Nonoperating Revenues (Expenses)	1,696	72	3	2	1,773
Income (Loss)	6,174	241	151	100	6,666
Change in Net Assets	6,174	241	151	100	6,666
Net Assets - Beginning	84,210	3,707	1,703	418	90,038
Net Assets - Ending	$ 90,384	$ 3,948	$ 1,854	$ 518	$ 96,704

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SCHEDULES

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2011

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and pooled investments	$ -	$ 30,417	$ 30,417
Taxes receivable (net of allowance)	2,909,152	-	2,909,152
Other receivables (net of allowance)	152,618	6,845	159,463
Due from other funds	49,213	125,800	175,013
Due from other governments	1,150,402	9,716	1,160,118
Inventories and prepaids	13,981	-	13,981
Restricted assets:			
Cash and pooled investments	-	28,302	28,302
Receivables	3,212	-	3,212
Total Assets	$ 4,278,578	$ 201,080	$ 4,479,658
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 926,913	$ 12,114	$ 939,027
Contracts and retainages payable	31,667	2,372	34,039
Accrued liabilities	143,690	16,931	160,621
Due to other funds	183,362	-	183,362
Due to other governments	558,674	6,941	565,615
Deferred revenue	1,369,590	3	1,369,593
Claims and judgments payable	9,200	-	9,200
Total Liabilities	3,223,096	38,361	3,261,457
Fund Balances:			
Nonspendable fund balance	81,541	8,375	89,916
Restricted fund balance	683	22,590	23,273
Committed fund balance	-	98,077	98,077
Assigned fund balance	1,065,252	49,447	1,114,699
Unassigned fund balance	(91,994)	(15,770)	(107,764)
Total Fund Balances	1,055,482	162,719	1,218,201
Total Liabilities and Fund Balances	$ 4,278,578	$ 201,080	$ 4,479,658

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 7,274,926	$ -	$ 7,274,926
Business and occupation taxes	3,072,245	-	3,072,245
Property taxes	1,857,837	-	1,857,837
Excise taxes	414,362	-	414,362
Other taxes	1,804,138	-	1,804,138
Licenses, permits, and fees	88,222	242	88,464
Timber sales	4,037	-	4,037
Other contracts and grants	199,395	13	199,408
Federal grants-in-aid	9,596,616	483	9,597,099
Charges for services	59,882	-	59,882
Investment income (loss)	(15,725)	670	(15,055)
Miscellaneous revenue	228,519	1,386	229,905
Unclaimed property	62,987	-	62,987
Total Revenues	24,647,441	2,794	24,650,235
EXPENDITURES			
Current:			
General government	761,506	161,710	923,216
Human services	13,392,799	79,944	13,472,743
Natural resources and recreation	327,884	59,669	387,553
Transportation	38,894	2,340	41,234
Education	8,851,498	359,688	9,211,186
Intergovernmental	29,886	72,449	102,335
Capital outlays	44,892	3,612	48,504
Debt service:			
Principal	15,992	112	16,104
Interest	499	3	502
Total Expenditures	23,463,850	739,527	24,203,377
Excess of Revenues Over (Under) Expenditures	1,183,591	(736,733)	446,858
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	336,009	336,009
Bond issue premiums	57	3,621	3,678
Other debt issued	14,700	-	14,700
Transfers in	6,423	932,399	938,822
Transfers out	(528,038)	(626,445)	(1,154,483)
Total Other Financing Sources (Uses)	(506,858)	645,584	138,726
Net Change in Fund Balances	676,733	(91,149)	585,584
Fund Balances - Beginning, as restated	378,749	253,868	632,617
Fund Balances - Ending	$ 1,055,482	$ 162,719	$ 1,218,201

GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2011

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 189,310	$ 189,310	$ 189,310	$ -
Resources				
Taxes	29,493,412	27,552,815	27,532,649	(20,166)
Licenses, permits, and fees	187,150	173,859	173,859	-
Other contracts and grants	359,489	423,258	376,644	(46,614)
Timber sales	5,698	8,892	8,892	-
Federal grants-in-aid	15,487,030	17,321,440	16,237,599	(1,083,841)
Charges for services	132,086	131,906	115,542	(16,364)
Investment income (loss)	10,407	(14,491)	(10,682)	3,809
Miscellaneous revenue	213,124	422,189	354,227	(67,962)
Unclaimed property	95,773	114,455	114,455	-
Transfers from other funds	1,743,577	2,374,792	2,249,427	(125,365)
Total Resources	47,917,056	48,698,425	47,341,922	(1,356,503)
Charges To Appropriations				
General government	3,529,346	3,572,407	3,414,937	157,470
Human services	23,393,416	24,208,988	23,783,261	425,727
Natural resources and recreation	592,619	673,220	628,917	44,303
Transportation	100,183	95,414	86,637	8,777
Education	18,860,255	18,932,202	18,524,016	408,186
Capital outlays	305,525	338,989	161,391	177,598
Transfers to other funds	709,891	827,756	708,253	119,503
Total Charges To Appropriations	47,491,235	48,648,976	47,307,412	1,341,564
Excess Available For Appropriation Over (Under) Charges To Appropriations	425,821	49,449	34,510	(14,939)
Reconciling Items				
Bond sale proceeds	-	-	-	-
Bond issue premiums	-	-	-	-
Refunding other debt issued	-	-	-	-
Changes in reserves (net)	-	-	(175,439)	(175,439)
Entity adjustments (net)	-	-	48,935	48,935
Total Reconciling Items	-	-	(126,504)	(126,504)
Budgetary Fund Balance, June 30	$ 425,821	$ 49,449	$ (91,994)	$ (141,443)

Administrative Accounts in the General Fund

Original Budget 2009-11 Biennium	Final Budget 2009-11 Biennium	Actual 2009-11 Biennium	Variance with Final Budget
$ 319,859	$ 319,859	$ 319,859	$ -
(157,034)	(143,261)	(143,675)	(414)
520	590	528	(62)
393	501	1	(500)
-	-	-	-
1,050	1,050	-	(1,050)
-	-	-	-
12,490	1,352	2,847	1,495
(8,316)	(8,225)	(9,211)	(986)
-	-	-	-
911,617	1,220,450	1,030,001	(190,449)
1,080,579	1,392,316	1,200,350	(191,966)
41,700	42,868	11,369	31,499
69,505	109,596	108,584	1,012
5,768	5,566	4,487	1,079
4,367	4,531	4,401	130
-	132,056	131,991	65
525,541	637,979	504,346	133,633
423,254	828,784	727,763	101,021
1,070,135	1,761,380	1,492,941	268,439
10,444	(369,064)	(292,591)	76,473
431,442	397,355	466,691	69,336
-	2,114	5,804	3,690
-	-	(69)	(69)
-	-	(586)	(586)
-	-	(24,905)	(24,905)
431,442	399,469	446,935	47,466
$ 441,886	$ 30,405	$ 154,344	$ 123,939

Schedule of Revenues and Other Financing Sources (Uses)
Governmental Funds

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

Continued

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Taxes, net of related credits:					
Retail sales and use	$ 7,274,926	$ -	$ -	$ 74,290	$ 7,349,216
Business and occupation	3,072,245	-	-	4,672	3,076,917
Motor vehicle and fuel	-	-	-	1,205,859	1,205,859
Liquor, beer, and wine	202,278	-	-	26,280	228,558
Cigarette and tobacco	498,014	(4,259)	-	-	493,755
Insurance premiums	403,583	-	-	9,514	413,097
Public utilities	448,688	-	-	1,376	450,064
Property	1,857,837	-	-	-	1,857,837
Excise	414,362	-	-	32,707	447,069
Gift and inheritance	1,109	121,632	-	-	122,741
Other taxes	250,466	-	-	187,918	438,384
Total Taxes	14,423,508	117,373	-	1,542,616	16,083,497
Licenses, Permits, and Fees:					
Business and professions	67,952	-	-	87,436	155,388
Hunting and fishing	1,485	-	-	30,962	32,447
Motor vehicle	3,679	629	-	468,434	472,742
Motor vehicle operators	-	-	-	70,722	70,722
Other fees	15,348	-	-	325,109	340,457
Total Licenses, Permits, and Fees	88,464	629	-	982,663	1,071,756
Federal Grants-In-Aid:					
Department of Health & Human Services	5,991,522	688,788	-	707	6,681,017
Department of Labor	97,819	4,351	-	204,727	306,897
Department of Agriculture	1,998,078	39,165	-	103,387	2,140,630
Department of Transportation	2,056	3,670	-	802,865	808,591
Department of Education	1,063,600	722,379	-	3,598	1,789,577
Other federal grants-in-aid	444,024	299,582	271	128,116	871,993
Total Federal Grants-In-Aid	9,597,099	1,757,935	271	1,243,400	12,598,705
Charges for Services:					
Tuition and student fees	88	1,638,668	13	55,977	1,694,746
Other charges	31,046	371,353	132	495,333	897,864
Total Charges For Services	31,134	2,010,021	145	551,310	2,592,610
Miscellaneous Revenue:					
Investment earnings (loss)	(15,055)	45,857	368,404	75,017	474,223
Timber sales	4,037	-	22,224	179,863	206,124
Fines and forfeitures	107,208	5,351	-	32,223	144,782
Other contracts and grants	199,408	797,112	69,436	40,428	1,106,384
Other	214,432	78,204	1,841	378,047	672,524
Total Miscellaneous Revenue	510,030	926,524	461,905	705,578	2,604,037
Total Revenues	24,650,235	4,812,482	462,321	5,025,567	34,950,605

Schedule of Revenues and Other Financing Sources (Uses)
Governmental Funds

For the Fiscal Year Ended June 30, 2011

(expressed in thousands)

Concluded

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
OTHER FINANCING SOURCES (USES)					
Bonds issued	336,009	26,359	-	581,826	944,194
Refunding bonds issued	-	-	-	1,160,990	1,160,990
Payments to escrow agents for refunded bond debt	-	-	-	(1,339,372)	(1,339,372)
Bond issue premiums	3,678	657	-	219,195	223,530
Other debt issued	14,700	21,523	-	118,601	154,824
Refunding COPs issued	-	-	-	9,310	9,310
Payments to escrow agents for refunded COP debt	-	-	-	(11,054)	(11,054)
Transfers in	938,822	140,148	2,876	2,778,501	3,860,347
Transfers out	(1,154,483)	(171,790)	(94,954)	(2,214,952)	(3,636,179)
Total Other Financing Sources (Uses)	138,726	16,897	(92,078)	1,303,045	1,366,590
Total Revenues and Other Financing Sources (Uses)	$ 24,788,961	$ 4,829,379	$ 370,243	$ 6,328,612	$ 36,317,195

Schedule of Expenditures
Governmental Funds
For the Fiscal Year Ended June 30, 2011
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
EXPENDITURES					
By Function:					
General government	$ 1,030,483	$ -	$ 131	$ 2,198,922	$ 3,229,536
Human services	13,499,399	363	-	709,346	14,209,108
Natural resources and recreation	408,218	-	2,441	673,728	1,084,387
Transportation	42,679	-	-	3,228,431	3,271,110
Education	9,222,598	4,721,844	3,710	949,365	14,897,517
Total Expenditures	$ 24,203,377	$ 4,722,207	$ 6,282	$ 7,759,792	$ 36,691,658
By Object:					
Salaries and wages	$ 2,590,438	$ 1,725,916	$ 6	$ 1,091,595	$ 5,407,955
Employee benefits	857,571	577,017	-	334,625	1,769,213
Personal services	143,015	47,042	296	74,293	264,646
Goods and services	1,151,567	877,239	3,369	895,050	2,927,225
Travel	29,165	84,975	3	24,506	138,649
Subtotal	4,771,756	3,312,189	3,674	2,420,069	10,507,688
Grants and Subsidies:					
K-12 basic education	7,465,646	67,193	-	93,608	7,626,447
Public assistance	10,133,534	363	-	199,420	10,333,317
Other miscellaneous	1,664,996	1,082,144	167	1,154,068	3,901,375
Total Grants and Subsidies	19,264,176	1,149,700	167	1,447,096	21,861,139
Intergovernmental	102,335	-	-	290,221	392,556
Capital Outlays:					
Equipment	25,329	91,864	-	29,081	146,274
All other	23,175	126,265	2,441	2,105,302	2,257,183
Total Capital Outlays	48,504	218,129	2,441	2,134,383	2,403,457
Debt Service:					
Principal	16,104	29,018	-	651,991	697,113
Interest	502	13,171	-	816,032	829,705
Total Debt Service	16,606	42,189	-	1,468,023	1,526,818
TOTAL EXPENDITURES	$ 24,203,377	$ 4,722,207	$ 6,282	$ 7,759,792	$ 36,691,658

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund

Basic Plan

Fiscal Years 2002 through 2011

(expressed in millions)

The table below illustrates how the fund's earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten fiscal years. The state has not purchased reinsurance since September 30, 2002 and has never had a qualifying event that generated a recovery.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Net earned required contribution and investment revenues	$ 1,197	$ 2,111	$ 1,337	$ 2,452	$ 1,392	$ 2,406	$ 1,697	$ 1,692	$ 2,798	$ 2,525
2. Estimated incurred claims and expenses, end of policy year	2,124	2,284	2,505	2,308	2,141	2,196	2,256	2,363	2,312	2,254
3. Paid (cumulative) as of:										
End of policy year	226	233	244	260	278	295	310	322	298	289
One year later	500	501	528	556	589	625	679	667	604	
Two years later	653	650	681	715	754	817	890	863		
Three years later	756	751	784	821	873	953	1,042			
Four years later	834	824	860	906	964	1,059				
Five years later	896	882	925	977	1,038					
Six years later	949	934	982	1,039						
Seven years later	999	982	1,031							
Eight years later	1,045	1,027								
Nine years later	1,089									
4. Reestimated incurred claims and expenses:										
End of policy year	2,124	2,284	2,505	2,308	2,141	2,196	2,256	2,363	2,312	2,254
One year later	2,158	2,277	2,203	1,989	2,053	2,234	2,559	2,535	2,271	
Two years later	2,277	2,045	1,971	1,939	2,055	2,390	2,647	2,538		
Three years later	2,079	1,853	1,864	1,954	2,151	2,441	2,724			
Four years later	1,906	1,767	1,886	2,025	2,196	2,526				
Five years later	1,859	1,788	1,941	2,067	2,244					
Six years later	1,879	1,829	1,966	2,111						
Seven years later	1,926	1,868	2,016							
Eight years later	1,952	1,907								
Nine years later	2,002									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(122)	(377)	(489)	(197)	103	330	468	175	(41)	-

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION
Workers' Compensation Fund
Supplemental Pension Plan
Fiscal Years 2002 through 2011
(expressed in millions)

The table below illustrates how the fund's supplemental pension cost-of-living adjustments earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) as of the end of the last ten fiscal years. The state has not purchased reinsurance since September 30, 2002 and has never had a qualifying event that generated a recovery. The unallocated and other expenses of this plan are paid by the Workers' Compensation Basic Plan. This claims development information is reported separate from the basic plan for the following reasons: (1) This plan covers self-insured, while the basic does not; (2) This plan is not experienced rated while the basic plan is; and (3) Statutes restrict the funding of this plan to expected payments of the current year.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1.	Net earned required contribution and investment revenues	$ 281	$ 293	$ 288	$ 326	$ 305	$ 283	$ 334	$ 349	$ 372	$ 440
2.	Estimated incurred claims and expenses, end of policy year	807	1,029	1,228	724	804	968	1,093	966	1,082	843
3.	Paid (cumulative) as of:										
	End of policy year	-	-	-	-	-	-	-	-	-	-
	One year later	2	5	2	1	3	6	8	6	3	
	Two years later	11	4	3	4	7	12	14	10		
	Three years later	6	6	6	8	14	21	21			
	Four years later	9	8	11	15	22	30				
	Five years later	12	13	16	22	30					
	Six years later	17	19	24	30						
	Seven years later	24	26	31							
	Eight years later	32	34								
	Nine years later	40									
4.	Reestimated incurred claims and expenses:										
	End of policy year	807	1,029	1,228	724	804	968	1,093	966	1,082	843
	One year later	945	1,045	722	721	927	1,176	1,121	1,174	843	
	Two years later	1,046	676	720	848	1,065	1,125	1,316	980		
	Three years later	701	667	811	971	998	1,272	1,152			
	Four years later	682	759	940	897	1,119	1,116				
	Five years later	811	871	858	990	958					
	Six years later	905	780	919	862						
	Seven years later	821	854	822							
	Eight years later	884	758								
	Nine years later	805									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(2)	(271)	(406)	138	154	148	59	14	(239)	-

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund
Reconciliation of Claims Liabilities by Plan

Fiscal Years 2011 and 2010

(expressed in thousands)

The schedule below presents the changes in claims liabilities for the past two fiscal years for the fund's two benefit plans: Workers' Compensation Basic Plan and Workers' Compensation Supplemental Pension Plan.

	Basic Plan		Supplemental Pension Plan		Grand Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Unpaid claims and claim adjustment expenses at beginning of year	$ 11,223,311	$ 10,747,832	$ 12,802,521	$ 11,416,236	$ 24,025,832	$ 22,164,068
INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES						
Provision for insured events of the current year	1,549,771	1,679,299	400,714	525,410	1,950,485	2,204,709
Increase (decrease) in provision for insured events of prior years	208,093	477,691	(1,141,646)	1,260,817	(933,553)	1,738,508
Total incurred claims and claim adjustment expenses	1,757,864	2,156,990	(740,932)	1,786,227	1,016,932	3,943,217
PAYMENTS						
Claims and claim adjustment expenses Attributable:						
To events of the current year	288,812	297,520	-	-	288,812	297,520
To insured events of prior years	1,404,053	1,383,991	406,588	399,942	1,810,641	1,783,933
Total payments	1,692,865	1,681,511	406,588	399,942	2,099,453	2,081,453
Total unpaid claims and claim adjustment expenses at fiscal year end	$ 11,288,310	$ 11,223,311	$ 11,655,001	$ 12,802,521	$ 22,943,311	$ 24,025,832

Source: Washington State Department of Labor and Industries

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

These schedules contain trend information to help the reader understand how the state's financial performance and fiscal health has changed over time.

These schedules contain information to help the reader assess the state's most significant revenue sources: retail sales tax and business and occupation tax.

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, and the state's ability to issue additional debt in the future.

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state's financial activities take place.

These schedules offer operating data to help the reader understand how the information in the state's financial report relates to the services it provides and the activities it performs.

FINANCIAL TRENDS

Schedule 1 – Net Assets by Component

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES					
Invested in capital assets, net of related debt	$ 18,723	$ 18,201	$ 17,551	$ 17,029	$ 16,189
Restricted	4,847	5,214	4,887	5,524	5,072
Unrestricted	1,160	(217)	1,417	3,544	4,269
Total governmental activities net assets	$ 24,730	$ 23,198	$ 23,855	$ 26,097	$ 25,530
BUSINESS-TYPE ACTIVITIES					
Invested in capital assets, net of related debt	$ 718	$ 913	$ 721	$ 521	$ 598
Restricted	3,199	2,930	3,800	4,406	3,891
Unrestricted	(9,662)	(10,864)	(9,737)	(9,211)	(7,256)
Total business-type activities net assets	$ (5,745)	$ (7,021)	$ (5,216)	$ (4,284)	$ (2,767)
PRIMARY GOVERNMENT					
Invested in capital assets, net of related debt	$ 19,441	$ 19,114	$ 18,272	$ 17,550	$ 16,787
Restricted	8,046	8,144	8,687	9,930	8,963
Unrestricted	(8,502)	(11,081)	(8,320)	(5,667)	(2,986)
Total primary government net assets	$ 18,985	$ 16,177	$ 18,639	$ 21,813	$ 22,764
COMPONENT UNITS					
Invested in capital assets, net of related debt	$ 332	$ 343	$ 354	$ 365	$ 372
Restricted	20	21	23	24	31
Unrestricted	102	96	87	82	74
Total component units net assets	$ 454	$ 460	$ 464	$ 471	$ 477

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Statewide Accounting

2006	2005	2004	2003	2002
$ 15,434	$ 14,975	$ 14,288	$ 13,513	$ 12,794
4,343	4,351	3,505	2,995	2,694
3,384	1,900	1,854	2,346	2,654
$ 23,161	$ 21,226	$ 19,647	$ 18,854	$ 18,142
$ 604	$ 510	$ 522	$ 543	$ 355
3,164	2,341	1,624	1,513	1,884
(6,132)	(5,632)	(6,200)	(6,025)	(5,413)
$ (2,364)	$ (2,781)	$ (4,053)	$ (3,969)	$ (3,174)
$ 16,039	$ 15,485	$ 14,810	$ 14,056	$ 13,149
7,507	6,692	5,129	4,509	4,578
(2,748)	(3,732)	(4,346)	(3,679)	(2,759)
$ 20,798	$ 18,445	$ 15,593	$ 14,886	$ 14,968
$ 392	$ 410	$ 428	$ 448	$ 436
25	24	22	21	15
69	61	58	57	57
$ 486	$ 495	$ 508	$ 526	$ 508

FINANCIAL TRENDS

Schedule 2 – Changes in Net Assets

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2011	2010	2009	2008	2007
EXPENSES					
Governmental activities:					
General government	$ 1,674	$ 1,738	$ 1,815	$ 1,609	$ 1,525
Education - elementary and secondary (K-12)	8,055	8,468	8,549	7,476	6,871
Education - higher education	6,257	6,051	6,044	5,710	5,244
Human services	13,363	12,946	12,436	11,260	10,473
Adult corrections	935	938	1,044	1,020	811
Natural resources and recreation	996	1,084	1,062	931	983
Transportation	1,981	2,073	1,883	1,894	1,588
Intergovernmental grants (1)	-	-	-	-	-
Interest on long-term debt	882	810	728	643	553
Total governmental activities expenses	34,144	34,108	33,561	30,543	28,048
Business-type activities:					
Workers' compensation	1,219	4,268	2,544	4,068	3,841
Unemployment compensation	3,690	4,729	2,360	791	697
Higher education student services	1,820	1,628	1,502	1,470	1,305
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)	556	552	540	-	-
Washington's lottery (3)	393	389	401	-	-
Other	784	345	391	1,204	1,103
Total business-type activities expenses	8,463	11,911	7,738	7,533	6,946
Total primary government expenses	$ 42,607	$ 46,019	$ 41,299	$ 38,076	$ 34,994
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 645	$ 534	$ 600	$ 651	$ 576
Education - elementary and secondary (K-12)	16	12	19	13	14
Education - higher education	2,379	2,210	2,170	1,718	1,545
Human services	462	345	300	251	236
Adult corrections	7	18	9	10	10
Natural resources and recreation	478	564	400	376	393
Transportation	914	899	900	894	844
Operating grants and contributions	12,609	12,193	10,565	8,725	8,286
Capital grants and contributions	833	939	706	746	744
Total governmental activities program revenues	18,343	17,716	15,669	13,384	12,648
Business-type activities:					
Charges for services:					
Workers' compensation	2,019	1,755	1,856	1,596	1,710
Unemployment compensation	1,573	1,288	1,011	1,094	1,248
Higher education student services	1,615	1,698	1,556	1,444	1,347
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)	596	593	574	-	-
Washington's lottery (3)	511	491	488	-	-
Other	152	162	156	1,230	1,166
Operating grants and contributions	2,305	2,468	572	42	46
Capital grants and contributions	13	-	-	-	-
Total business-type activities program revenues	8,784	8,455	6,212	5,406	5,518
Total primary government program revenues	$ 27,127	$ 26,171	$ 21,881	$ 18,790	$ 18,166
NET (EXPENSE)/REVENUE					
Governmental activities	$ (15,800)	$ (16,392)	$ (17,892)	$ (17,159)	$ (15,400)
Business-type activities	321	(3,456)	(1,526)	(2,127)	(1,427)
Total primary government net expense	$ (15,479)	$ (19,848)	$ (19,418)	$ (19,286)	$ (16,827)

(Refer to footnotes on page 250.)

continued

2006	2005	2004	2003	2002
$ 1,320	$ 925	$ 918	$ 812	$ 997
6,642	6,283	6,086	5,960	5,747
4,804	4,454	4,216	3,750	3,920
10,082	9,852	9,348	8,971	8,904
749	640	644	658	600
777	229	651	732	564
1,527	1,457	1,310	1,422	1,264
-	335	329	341	350
533	505	478	415	578
26,434	24,680	23,980	23,061	22,924
2,267	2,407	2,389	2,617	2,146
736	870	1,745	2,329	1,872
1,254	1,170	1,130	912	810
1,244	1,138	1,044	1,051	994
-	-	-	-	-
-	-	-	-	-
1,042	988	951	938	924
6,543	6,573	7,259	7,847	6,746
$ 32,977	$ 31,253	$ 31,239	$ 30,908	$ 29,670
$ 513	$ 439	$ 449	$ 413	$ 439
13	14	11	8	6
1,282	1,316	1,250	1,095	986
234	311	359	335	523
6	11	6	7	13
390	385	339	321	362
787	685	677	621	576
8,260	8,238	7,942	7,129	6,633
610	675	519	588	550
12,095	12,074	11,552	10,517	10,088
1,790	1,719	1,515	1,316	1,070
1,411	1,458	1,345	1,130	1,161
1,266	1,188	1,128	932	823
1,342	1,200	1,042	1,070	982
-	-	-	-	-
-	-	-	-	-
1,102	1,050	1,028	992	950
55	71	468	769	269
-	(2)	4	60	-
6,966	6,684	6,530	6,269	5,255
$ 19,061	$ 18,758	$ 18,082	$ 16,786	$ 15,343
$ (14,339)	$ (12,606)	$ (12,428)	$ (12,544)	$ (12,836)
423	111	(729)	(1,578)	(1,491)
$ (13,916)	$ (12,495)	$ (13,157)	$ (14,122)	$ (14,327)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Assets

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2011	2010	2009	2008	2007
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes:					
Sales and use tax	$ 7,349	$ 6,871	$ 7,306	$ 8,341	$ 7,951
Business and occupation	3,077	2,597	2,614	2,851	2,756
Property	1,858	1,822	1,785	1,742	1,689
Other	3,881	3,692	4,296	3,959	4,308
Interest and investment earnings (loss)	474	449	(212)	464	818
Contributions to endowments	69	52	57	95	97
Extraordinary loss (asset impairment)	-	-	-	-	-
Transfers	231	252	(190)	272	204
Total governmental activities	16,939	15,735	15,656	17,724	17,824
Business-type activities:					
Taxes - other	174	160	113	115	108
Interest and investment earnings	1,611	1,742	291	767	1,316
Transfers	(231)	(252)	190	(272)	(204)
Special item - transfer of Convention and Trade Center to another government	(223)	-	-	-	-
Total business-type activities	1,331	1,650	594	610	1,220
Total primary government	$ 18,270	$ 17,385	$ 16,250	$ 18,334	$ 19,044
CHANGE IN NET ASSETS					
Governmental activities	$ 1,140	$ (657)	$ (2,236)	$ 565	$ 2,424
Business-type activities	1,653	(1,806)	(932)	(1,517)	(207)
Total primary government	$ 2,793	$ (2,463)	$ (3,168)	$ (952)	$ 2,216
COMPONENT UNITS					
Total expenses	$ 131	$ 68	$ 29	$ 30	$ 30
Program revenues:					
Charges for services	17	16	15	16	15
Operating grants and contributions	105	44	1	-	-
Capital grants and contributions	1	1	1	1	1
Total program revenues	123	61	17	17	16
Net (expense) / revenue	(8)	(7)	(12)	(13)	(14)
General revenues - sales and use taxes	-	-	-	-	-
General revenues - interest and investment earnings	2	3	5	7	5
Total component units - change in net assets	$ (6)	$ (4)	$ (7)	$ (6)	$ (9)

(1) Intergovernmental grants is zero beginning in 2006 due to reclassification to the appropriate governmental activity.

(2) Health insurance programs is zero beginning in 2007 due to fund reclassifications.

(3) Liquor control and Washington's lottery were separated from other business-type activities in 2009.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Statewide Accounting

concluded

2006	2005	2004	2003	2002
$ 7,429	$ 6,736	$ 6,234	$ 5,974	$ 5,879
2,484	2,291	2,078	1,940	1,934
1,630	1,590	1,527	1,483	1,426
3,957	3,370	3,253	2,805	2,791
475	363	294	252	189
131	69	46	36	29
(84)	-	-	-	-
252	184	199	619	148
16,273	14,603	13,632	13,109	12,397
100	95	116	86	83
147	1,249	286	1,316	613
(252)	(184)	(199)	(619)	(148)
-	-	-	-	-
(5)	1,160	203	783	548
$ 16,268	$ 15,763	$ 13,835	$ 13,893	$ 12,945
$ 1,934	$ 1,997	$ 1,204	$ 565	$ (439)
418	1,271	(526)	(795)	(943)
$ 2,352	$ 3,268	$ 678	$ (229)	$ (1,382)
$ 29	$ 29	$ 30	$ 28	$ 11
13	12	11	10	10
-	1	-	-	55
1	1	1	31	-
14	13	12	41	65
(15)	(16)	(18)	14	54
-	-	-	2	1
3	3	-	2	3
$ (12)	$ (13)	$ (18)	$ 18	$ 59

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds[1]

Last Ten Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2011	2010	2009	2008	2007
GENERAL FUND					
Nonspendable	$ 89,916	N/A	N/A	N/A	N/A
Restricted	23,273	N/A	N/A	N/A	N/A
Committed	98,077	N/A	N/A	N/A	N/A
Assigned	1,114,699	N/A	N/A	N/A	N/A
Unassigned	(107,764)	N/A	N/A	N/A	N/A
Reserved	N/A	$ 76,164	$ 74,929	$ 200,794	$ 119,687
Unreserved, designated for:					
Working capital	N/A	863,652	897,763	1,040,563	1,002,963
Unrealized gains	N/A	-	-	-	-
Unreserved, undesignated	N/A	(561,067)	189,258	677,431	780,510
Total General Fund	1,218,201	378,749	1,161,950	1,918,788	1,903,160
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	3,664,194	N/A	N/A	N/A	N/A
Restricted	3,790,577	N/A	N/A	N/A	N/A
Committed	2,052,523	N/A	N/A	N/A	N/A
Assigned	45	N/A	N/A	N/A	N/A
Unassigned	(174,472)	N/A	N/A	N/A	N/A
Reserved	N/A	6,298,440	4,993,402	6,549,844	5,435,860
Unreserved, designated for:					
Unrealized gains	N/A	-	-	-	-
Higher education	N/A	107,624	155,679	155,679	155,679
Special revenue funds	N/A	157	165	220	221
Debt service funds	N/A	170,200	267,470	362,122	220,474
Other specific purpose	N/A	-	-	-	-
Unreserved, undesignated	N/A	2,297,145	814,231	1,006,121	1,151,829
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	N/A	1,219,705	1,848,410	2,432,112	3,040,036
Nonmajor capital project funds	N/A	69,192	307,556	106,741	246,060
Total all other governmental funds	9,332,867	10,162,463	8,386,913	10,612,839	10,250,159
Total governmental fund balances	$ 10,551,068	$ 10,541,212	$ 9,548,863	$ 12,531,627	$ 12,153,319

[1] Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

N/A indicates data not available.

Source: Washington State Office of Financial Management, Statewide Accounting

2006	2005	2004	2003	2002
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
$ 230,848	$ 55,602	$ 166,043	$ 48,687	$ 91,031
1,076,631	1,004,131	964,631	908,194	848,153
-	-	-	6,944	-
569,326	865,443	385,436	404,376	398,374
1,876,805	1,925,176	1,516,110	1,368,201	1,337,558
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
5,061,345	4,546,263	4,209,890	3,682,240	3,874,727
-	-	3,809	4,814	2,343
155,679	155,679	155,679	-	-
229	165	174	-	-
206,228	177,961	288,231	100,354	101,557
-	-	-	155,847	155,816
454,714	573,576	515,597	569,134	284,873
2,585,037	1,528,463	1,474,023	1,211,403	1,343,467
70,275	166,393	-	109,627	31,649
8,533,507	7,148,500	6,647,403	5,833,419	5,794,432
$ 10,410,312	$ 9,073,676	$ 8,163,513	$ 7,201,620	$ 7,131,990

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2011	2010	2009	2008	2007
REVENUES					
Taxes:					
Retail sales and use	$ 7,349	$ 6,871	$ 7,306	$ 8,341	$ 7,952
Business and occupation	3,077	2,597	2,614	2,851	2,756
Motor vehicle and fuel	1,206	1,219	1,183	1,170	1,135
Liquor, beer, and wine	229	223	222	214	207
Cigarette and tobacco	494	426	432	413	439
Insurance premiums	413	406	408	415	392
Public utility	450	416	430	428	408
Property	1,858	1,822	1,785	1,742	1,688
Excise	447	471	487	781	1,107
Gift and inheritance	123	82	139	111	183
Other taxes	438	418	361	427	437
Total Taxes	16,084	14,951	15,368	16,892	16,704
Licenses, permits, and fees	1,072	987	899	911	863
Federal grants-in-aid	12,599	12,388	10,548	8,767	8,317
Charges and miscellaneous revenue	4,722	4,460	4,145	3,869	3,559
Investment income (loss)	474	449	(212)	464	818
Total Revenues	34,951	33,235	30,748	30,903	30,261
EXPENDITURES					
Current:					
General government	1,375	1,474	1,377	1,254	1,146
Human services	14,134	13,736	13,154	12,115	11,242
Natural resources and recreation	966	889	999	897	906
Transportation	1,809	1,876	1,847	1,803	1,647
Education	14,086	13,989	13,826	12,860	11,789
Intergovernmental	393	382	383	379	378
Capital outlays	2,403	2,260	2,446	2,264	2,296
Debt service:					
Principal	697	671	645	586	528
Interest	830	740	670	589	545
Total Expenditures	36,692	36,016	35,348	32,748	30,477
Revenues Over (Under) Expenditures	(1,741)	(2,782)	(4,599)	(1,845)	(216)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	989	3,416	1,781	1,957	1,674
Other debt issued, net of refunding	154	112	49	19	63
Transfers in	3,860	3,699	4,125	2,628	3,308
Transfers out	(3,636)	(3,452)	(4,340)	(2,382)	(3,086)
Net Other Financing Sources (Uses)	1,367	3,774	1,615	2,222	1,959
Net Change in Fund Balances	$ (374)	$ 993	$ (2,985)	$ 377	$ 1,743
Debt service as a percentage of noncapital expenditures	4.4%	4.1%	3.9%	3.8%	3.8%

(1) Certain fund type reclassifications occurred in fiscal years 2002, 2003 and 2004.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Statewide Accounting

	2006	2005	2004 (1)	2003 (1)	2002 (1)
	$ 7,429	$ 6,736	$ 6,235	$ 5,974	$ 5,880
	2,484	2,291	2,078	1,940	1,934
	1,030	931	926	752	743
	197	152	144	134	129
	469	354	353	362	331
	379	357	346	317	291
	381	345	330	309	307
	1,630	1,590	1,527	1,483	1,426
	1,067	902	687	583	502
	19	(38)	140	124	114
	419	360	335	223	258
	15,502	13,981	13,100	12,203	11,914
	788	707	666	651	612
	8,095	8,010	7,702	6,974	6,574
	3,345	3,350	3,184	2,937	2,769
	475	363	294	252	189
	28,206	26,411	24,946	23,016	22,060
	990	934	860	803	870
	10,777	10,486	9,962	9,538	9,339
	729	704	643	689	640
	1,489	1,487	1,297	1,363	1,283
	11,103	10,539	10,085	9,472	9,002
	359	335	330	341	350
	1,710	1,741	1,542	1,489	1,206
	500	461	415	441	429
	509	497	468	418	402
	28,165	27,183	25,601	24,553	23,520
	41	(772)	(655)	(1,537)	(1,460)
	1,162	1,190	1,214	797	938
	44	26	18	39	10
	3,312	2,771	2,100	2,775	2,758
	(3,068)	(2,501)	(1,864)	(2,146)	(2,614)
	1,451	1,487	1,469	1,465	1,092
	$ 1,492	$ 715	$ 814	$ (73)	$ (368)
	3.7%	3.8%	3.6%	3.7%	3.6%

FINANCIAL TRENDS

Schedule 5 – Revenues, Expenditures, and Other Financing Sources (Uses) General Fund

Last Ten Fiscal Years (expressed in millions)

	2011	2010	2009	2008	2007
REVENUES					
Taxes:					
Retail sales and use	$ 7,275	$ 6,802	$ 7,234	$ 8,256	$ 7,870
Business and occupation	3,072	2,593	2,530	2,760	2,685
Liquor, beer, and wine	202	198	163	157	154
Cigarette and tobacco	498	349	68	47	58
Insurance premiums	404	397	253	261	249
Public utility	449	400	417	415	395
Property	1,858	1,822	1,529	1,495	1,442
Excise	414	418	433	707	1,014
Gift and inheritance	1	-	-	4	4
Other taxes	250	192	163	205	226
Total Taxes	14,424	13,169	12,791	14,307	14,097
Licenses, permits, and fees	88	86	95	97	92
Federal grants-in-aid	9,597	9,648	8,311	6,557	6,204
Charges and miscellaneous revenue	556	481	326	364	327
Investment income (loss)	(15)	(9)	64	123	106
Total Revenues	24,650	23,375	21,587	21,449	20,826
EXPENDITURES					
Current:					
General government	923	822	726	663	640
Human services	13,473	13,209	11,912	10,921	10,191
Natural resources and recreation	388	360	340	336	361
Transportation	41	44	37	42	39
Education	9,211	9,243	9,044	8,235	7,765
Intergovernmental	102	30	32	31	30
Capital outlays	49	54	69	57	49
Debt service:					
Principal	16	20	18	15	15
Interest	1	1	1	-	-
Total Expenditures	24,203	23,783	22,179	20,300	19,090
Revenues Over (Under) Expenditures	447	(408)	(592)	1,149	1,736
OTHER FINANCING SOURCES (USES)					
Bonds issued, net of refunding	340	-	-	-	-
Other debt issued, net of refunding	14	4	27	12	5
Transfers in	939	1,187	952	72	128
Transfers out	(1,154)	(1,566)	(1,144)	(1,217)	(1,843)
Net Other Financing Sources (Uses)	139	(375)	(165)	(1,133)	(1,710)
Net Change in Fund Balances	$ 586	$ (783)	$ (757)	$ 16	$ 26

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Statewide Accounting

2006	**2005**	**2004**	**2003**	**2002**
$ 7,357	$ 6,675	$ 6,174	$ 5,948	$ 5,843
2,412	2,228	2,019	1,893	1,889
147	105	100	93	90
61	61	62	63	77
242	228	218	203	183
369	334	318	298	296
1,384	1,395	1,393	1,349	1,293
977	808	623	515	431
(1)	(38)	140	124	114
216	192	178	123	126
13,165	11,988	11,225	10,610	10,342
85	79	76	75	76
6,113	6,012	5,917	5,354	5,131
283	429	388	425	338
73	36	5	36	20
19,720	18,544	17,610	16,498	15,906
602	552	515	496	527
9,809	9,519	8,989	8,538	8,304
292	271	268	271	263
42	27	27	16	29
7,407	7,243	6,977	6,911	6,778
28	28	27	27	23
56	78	67	65	58
15	12	10	16	11
1	2	-	-	2
18,252	17,733	16,880	16,339	15,993
1,468	811	730	159	(87)
-	-	-	-	-
17	16	5	11	7
248	524	308	588	676
(1,825)	(942)	(895)	(728)	(740)
(1,560)	(402)	(582)	(129)	(58)
$ (92)	$ 409	$ 148	$ 31	$ (144)

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry [1]

Last Ten Calendar Years (expressed in millions)

Industry	2010	2009	2008	2007	2006
Retail trade:					
Building materials, garden equipment and supplies	$ 4,290	$ 4,234	$ 4,894	$ 5,377	$ 5,379
General merchandise stores	10,086	9,872	9,802	9,980	9,538
Motor vehicles & parts	9,504	9,218	10,562	12,741	12,461
All other retail trade	22,464	21,640	23,272	23,565	22,308
Total retail sales	46,344	44,964	48,530	51,663	49,686
Construction	15,704	17,771	23,540	24,435	21,818
Accommodations & food services	11,293	10,871	11,237	11,033	10,253
Wholesale trade	7,618	7,498	8,703	9,328	8,601
Information	4,957	4,762	4,915	4,766	4,614
Manufacturing	2,084	2,106	2,644	3,085	2,699
All other industries	12,808	12,907	14,439	14,647	13,771
Total sales subject to retail sales tax	$ 100,808	$ 100,879	$ 114,008	$ 118,957	$ 111,442
Direct sales tax rate [2]	6.5%	6.5%	6.5%	6.5%	6.5%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

[2] State tax rate only; excludes local sales tax rate.

Source: Quarterly Business Review, Washington State Department of Revenue

2005	2004	2003	2002	2001
$ 4,936	$ 4,437	$ 3,883	$ 3,501	$ 3,271
8,907	8,289	7,773	7,557	7,354
12,049	11,482	11,073	10,595	10,226
20,296	18,516	17,429	16,959	16,912
46,188	42,724	40,158	38,612	37,763
18,515	15,934	14,076	13,719	13,878
9,520	8,836	8,259	7,935	7,772
8,240	7,584	7,176	7,225	7,662
4,628	4,409	4,325	4,323	4,334
2,492	2,268	2,118	2,061	2,116
12,571	11,681	11,547	11,486	11,374
$ 102,154	$ 93,436	$ 87,659	$ 85,361	$ 84,899
6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Taxpayers by Industry [1]

Current Calendar Year and Nine Years Ago

	2010			2001		
Industry [4]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retail trade	49,931	1	26.0%	46,779	1	27.6%
Construction	38,290	2	19.8%	33,828	2	20.0%
Other services [2]	20,118	3	10.4%	18,905	3	11.1%
Management, education & health services	18,630	4	9.7%	14,267	5	8.4%
Accommodations & food services	17,960	5	9.3%	14,369	4	8.5%
Professional, scientific & technical services	12,622	6	6.5%	9,622	8	5.7%
All other industries [3]	11,611	7	6.0%	10,944	6	6.5%
Wholesale trade	10,123	8	5.2%	10,079	7	5.9%
Manufacturing	9,045	9	4.7%	7,671	9	4.5%
Arts, entertainment & recreation	4,638	10	2.4%	3,053	10	1.8%
Total	192,968		100.0%	169,517		100.0%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

[2] Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

[3] All other industries include real estate and rental leasing, transportation and warehousing, and information.

[4] The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation (B&O) Taxpayers by Industry (1)

Current Calendar Year and Nine Years Ago

	2010			2001		
Industry	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retailing	192,659	1	42.3%	146,888	1	42.6%
Service and other activities, and gambling contests less than $50,000/year	144,403	2	31.7%	99,186	2	28.8%
Wholesaling	85,293	3	18.8%	72,288	3	21.0%
Manufacturing	9,912	4	2.2%	9,612	4	2.8%
Other B&O tax classifications	7,876	5	1.7%	5,465	5	1.6%
Insurance agents/insurance brokers commissions	4,830	6	1.1%	4,052	6	1.2%
Royalties and child care	3,646	7	0.8%	2,086	8	0.6%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,412	8	0.5%	3,081	7	0.9%
Gambling contests greater than $50,000/year	2,244	9	0.5%	-	10	0.0%
Processing for hire, and printing and publishing	1,709	10	0.4%	1,639	9	0.5%
Total	454,984		100%	344,297		100.0%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes.

(2) The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

	2010	2009	2008	2007	2006
Retailing	$ 138,995	$ 136,738	$ 153,775	$ 155,997	$ 146,018
Wholesaling	110,041	105,659	135,935	128,820	113,614
Service and other activities	75,069	74,061	77,880	75,729	69,571
Manufacturing, wholesaling, and retailing of airplanes and components	32,383	33,323	25,770	32,672	27,277
Manufacturing	23,260	21,725	27,177	25,829	29,101
Other business & occupation tax classifications	42,825	40,721	44,125	41,031	34,578
Total	$ 422,573	$ 412,227	$ 464,662	$ 460,078	$ 420,159
State B&O tax rate range	0.1 - 1.9%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes.

(2) N/A indicates data not available.

Source: Quarterly Business Review, Washington State Department of Revenue

2005	2004	2003	2002	2001
$ 133,888	$ 121,453	$ 112,158	$ 108,462	$ 108,329
110,516	98,988	91,610	90,567	109,153
63,270	56,575	51,968	48,204	48,834
5,006	N/A	N/A	N/A	N/A
29,988	31,814	25,333	25,036	27,471
38,943	40,039	37,805	39,906	27,891
$ 381,611	$ 348,869	$ 318,875	$ 312,175	$ 321,678
0.1 - 1.6%	0.1 - 1.5%	0.1 - 1.5%	0.1 - 1.5%	0.1 - 1.5%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type [1]

Last Ten Fiscal Years (expressed in millions, except per capita)

	2011	2010	2009	2008	2007
Governmental Activities					
General obligation bonds	$ 16,750	$ 16,540	$ 14,049	$ 12,927	$ 11,573
Revenue bonds	740	743	616	555	608
Certificates of participation	482	449	395	383	382
Capital leases/installment contracts	6	14	10	15	20
Total Governmental Activities Debt	17,978	17,746	15,070	13,880	12,583
Business-Type Activities					
General obligation bonds	18	60	69	80	101
Revenue bonds	1,423	1,084	1,074	1,115	889
Certificates of participation	62	293	310	261	246
Capital leases	6	6	10	15	21
Total Business-Type Activities Debt	1,509	1,443	1,463	1,471	1,257
Total Primary Government Debt	$ 19,487	$ 19,189	$ 16,533	$ 15,351	$ 13,840
DEBT RATIOS					
Total Primary Government					
Ratio of total debt to personal income [2]	6.79%	6.69%	5.93%	5.31%	5.07%
Total debt per capita [3]	$ 2,879	$ 2,854	$ 2,478	$ 2,323	$ 2,121
General Bond Debt					
Ratio of general bonded debt to retail sales subject to tax [4]	16.63%	16.47%	13.99%	11.41%	9.81%
General bonded debt per capita [3]	$ 2,478	$ 2,469	$ 2,116	$ 1,968	$ 1,789

[1] Refer to Note 7 for long-term liability activity.

[2] Personal income data can be found in Schedule 13. 2011 personal income data not available, used 2010 data to calculate 2011 ratio.

[3] Population data can be found in Schedule 14.

[4] Retail sales subject to tax can be found in Schedule 6. 2011 retail sales data not available, used 2010 data to calculate 2011 ratio.

Source: Washington State Office of Financial Management, Statewide Accounting

2006	2005	2004	2003	2002
$ 10,464	$ 9,842	$ 9,173	$ 8,376	$ 7,997
615	564	511	518	N/A
333	315	274	276	249
18	24	28	32	35
11,430	10,745	9,986	9,202	8,281
120	138	155	172	187
794	585	520	455	327
239	251	247	248	236
21	21	14	6	2
1,174	995	936	881	752
$ 12,604	$ 11,740	$ 10,922	$ 10,083	$ 9,033
5.00%	5.10%	4.92%	4.87%	4.52%
$ 1,963	$ 1,864	$ 1,759	$ 1,646	$ 1,491
9.50%	9.77%	9.98%	9.75%	9.59%
$ 1,649	$ 1,584	$ 1,502	$ 1,395	$ 1,351

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information

Last Ten Fiscal Years (expressed in millions)

	2011	2010	2009	2008	2007
Legal Debt Limitation Calculation [1]					
Three year mean, general state revenues	$ 12,176	$ 12,518	$ 14,422	$ 13,545	$ 10,315
Times: Percentage of three year mean, general state revenues [2]	9%	9%	7%	7%	9%
Equals: Debt service limitation	$ 1,096	$ 1,127	$ 1,010	$ 948	$ 928
Debt service limitation	$ 1,096	$ 1,127	$ 1,010	$ 948	$ 928
Less: Projected maximum annual debt service of outstanding bonds as of June 30	995	971	797	747	772
Equals: Debt service capacity	$ 101	$ 156	$ 213	$ 201	$ 156
Remaining state general obligation debt capacity [3]	$ 1,425	$ 2,267	$ 2,791	$ 2,889	$ 2,390
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	10,470	10,163	8,032	7,244	7,439
Equals: Maximum debt authorization subject to limitation	$ 11,895	$ 12,430	$ 10,823	$ 10,133	$ 9,829
Debt service capacity as a percentage of total debt service limitation	9.2%	13.8%	21.1%	21.2%	16.8%
Remaining debt capacity as a percentage of maximum debt authorized	12.0%	18.2%	25.8%	28.5%	24.3%

[1] The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations.

[2] Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

[3] The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption. Interest rate assumption for 2011 is 4.99 percent.

Source: Certification of the Debt Limitation of the State of Washington, Office of the State Treasurer

2006	2005	2004	2003	2002
$ 9,323	$ 9,932	$ 9,130	$ 8,886	$ 8,656
9%	7%	7%	7%	7%
$ 839	$ 695	$ 639	$ 622	$ 606
$ 839	$ 695	$ 639	$ 622	$ 606
740	623	594	560	567
$ 99	$ 72	$ 45	$ 62	$ 39
$ 1,484	$ 993	$ 607	$ 846	$ 550
7,304	6,047	5,693	5,622	5,406
$ 8,788	$ 7,040	$ 6,300	$ 6,468	$ 5,956
11.8%	10.4%	7.0%	10.0%	6.4%
16.9%	14.1%	9.6%	13.1%	9.2%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage [1]

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Scheduled Debt Service [4] Principal	Interest	Coverage Ratio
Governmental Activities						
2011	$ 60	$ 3	$ 57	$ 21	$ 36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
2006	41	1	40	5	35	1.00
2005	41	-	41	8	34	0.98
2004	39	-	39	7	33	0.98
2003 [5]	N/A	N/A	-	N/A	N/A	-
2002 [5]	N/A	N/A	-	N/A	N/A	-
Business-Type Activities						
2011	$ 1,522	$ 1,575	$ (53)	$ 40	$ 50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73
2006	1,176	1,072	104	14	29	2.42
2005	1,102	998	104	12	26	2.74
2004	1,047	971	76	10	16	2.92
2003	991	917	74	8	17	2.96
2002	905	854	51	8	12	2.55

(1) Refer to Note 7 for information on the nature of revenue bonds issued by the state.

(2) Total operating revenues.

(3) Total operating expenses exclusive of depreciation.

(4) With the exception of Tobacco Settlement Authority (TSA) bonds, scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7. TSA revenue bonds contain a "turbo" repayment requirement, so the actual principal payments are used on this schedule.

(5) N/A - No revenue bonds outstanding for governmental activities prior to 2004.

Source: Washington State Office of Financial Management, Statewide Accounting

DEMOGRAPHIC INFORMATION

Schedule 13 – Personal Income Comparison
Washington State vs. United States

Last Ten Calendar Years (expressed in billions, except per capita)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Washington State										
Personal income	$ 287	$ 279	$ 289	$ 273	$ 252	$ 230	$ 222	$ 207	$ 200	$ 197
Percent change	3%	-4%	6%	8%	10%	4%	7%	4%	2%	3%
Per capita	$ 42,570	$ 41,795	$ 44,098	$ 42,192	$ 39,570	$ 36,766	$ 35,998	$ 33,909	$ 33,126	$ 32,966
United States										
Personal income	$ 12,374	$ 11,930	$ 12,460	$ 11,912	$ 11,268	$ 10,486	$ 9,937	$ 9,378	$ 9,060	$ 8,883
Percent change	4%	-4%	5%	6%	7%	6%	6%	4%	2%	4%
Per capita	$ 39,945	$ 38,846	$ 40,947	$ 39,506	$ 37,725	$ 35,452	$ 33,909	$ 32,295	$ 31,481	$ 31,157
Washington Per Capita Rate as % of United States Per Capita Rate	107%	108%	108%	107%	105%	104%	106%	105%	105%	106%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change
Washington State vs. United States

Last Ten Calendar Years (expressed in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Washington State [1]										
Population	6,767.9	6,724.5	6,672.2	6,608.3	6,525.1	6,420.3	6,298.8	6,208.5	6,126.9	6,059.3
Net increase	43.4	52.4	63.9	83.2	104.8	121.4	90.3	81.6	67.6	89.0
Percent change	0.6%	0.8%	1.0%	1.3%	1.6%	1.9%	1.5%	1.3%	1.1%	1.5%
Components of change:										
Births	84.8	88.2	89.8	89.6	87.8	83.2	81.8	81.0	79.1	79.3
Deaths	48.0	47.7	48.1	47.9	46.2	45.3	45.6	46.0	44.7	44.9
Net migration	6.5	11.8	22.2	41.5	63.2	83.6	54.1	46.7	33.2	54.6
United States [2]										
Population	N/A	309,350	306,772	304,094	301,231	298,380	295,517	292,805	290,108	287,625
Percent change	N/A	0.8%	0.9%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%

[1] Washington State population estimates are as of April 1 of each year. Population estimates for 2009 through 2002 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 are postcensal estimates developed by the Washington State Office of Financial Management.

[2] United States population intercensal estimates are as of July 1 of each year. Population estimates not available for 2011.

Some figures may not total due to rounding.

N/A indicates data not available.

Sources:
Washington State Office of Financial Management, Forecasting Division
U.S. Census Bureau, Population Division

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates Washington State vs. United States

Last Ten Calendar Years

	2010	2009	2008	2007	2006
Washington State (in thousands)					
Civilian labor force	3,531	3,535	3,479	3,393	3,319
Employment	3,192	3,206	3,286	3,237	3,155
Total unemployment	339	329	193	156	164
Unemployment percentage rate	9.6%	9.3%	5.5%	4.6%	5.0%
United States (in millions)					
Civilian labor force	153.9	154.2	154.3	153.1	151.4
Employment	139.1	139.9	145.4	146.0	144.4
Total unemployment	14.8	14.3	8.9	7.1	7.0
Unemployment percentage rate	9.6%	9.3%	5.8%	4.6%	4.6%
Washington Unemployment Rate as % of United States Unemployment Rate	100.0%	100.0%	94.8%	100.0%	108.7%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to 5 years.

Source: Economic Forecast, September 2011, Washington State Economic and Revenue Forecast Council

2005	2004	2003	2002	2001
3,259	3,200	3,146	3,105	3,053
3,080	3,000	2,913	2,877	2,864
179	200	233	228	189
5.5%	6.3%	7.4%	7.3%	6.2%
149.3	147.4	146.5	145.1	143.9
141.7	139.2	137.7	136.5	136.9
7.6	8.2	8.8	8.6	7.0
5.1%	5.6%	6.0%	5.9%	4.9%
107.8%	112.5%	123.3%	123.7%	126.5%

DEMOGRAPHIC INFORMATION

Schedule 16 –Annual Average Wage Rates by Industry [1]

Last Nine Calendar Years

	Annual Average Wages [2]								
Industry	2010	2009	2008	2007	2006	2005	2004	2003	2002
Information	$ 109,777	$ 105,715	$ 104,053	$ 96,240	$ 91,081	$ 82,647	$ 78,918	$ 104,042	$ 102,309
Mgmt. of companies and enterprises	95,731	87,642	87,431	86,867	85,031	75,236	75,776	69,743	67,659
Utilities	77,591	84,410	76,945	73,736	70,404	65,615	63,915	59,570	59,284
Prof., scientific, and technical services	75,376	71,837	70,120	70,104	63,687	61,181	58,486	56,933	54,645
Finance and insurance	70,137	71,304	72,653	70,044	66,684	62,382	62,091	57,954	53,944
Manufacturing	64,925	62,931	61,260	59,568	58,196	54,953	51,788	50,546	50,901
Wholesale trade	63,348	61,569	61,041	59,345	56,572	53,458	52,027	49,070	47,774
Mining	55,654	52,981	54,718	58,056	54,924	52,592	51,454	49,517	48,110
Government	51,394	50,420	48,705	46,914	44,745	42,915	41,756	40,546	39,360
Construction	51,127	51,043	49,443	46,783	43,746	41,482	40,171	39,468	39,396
Transportation and warehousing	47,743	46,522	45,433	45,320	44,078	42,798	41,780	40,219	39,501
Health care and social assistance	44,673	43,561	41,424	39,474	37,654	36,162	34,919	33,444	32,144
Administrative and support services	41,466	39,571	37,536	36,463	34,533	33,649	33,466	33,314	30,806
Real estate, rental and leasing	38,359	36,777	36,669	36,334	34,948	32,744	30,582	29,552	28,562
Education services	35,158	34,505	33,550	32,076	30,901	29,860	28,453	27,738	27,618
Retail trade	30,021	29,356	29,268	29,082	28,174	27,330	26,602	26,047	25,508
Arts, entertainment, and recreation	25,121	25,527	26,949	27,643	27,139	25,724	24,331	22,622	21,908
Other services	24,227	24,881	25,637	24,385	23,009	22,010	26,467	25,692	25,336
Agriculture, forestry, fishing, and hunting	24,034	23,675	24,491	23,413	22,239	21,122	20,495	20,152	19,909
Accommodation and food services	17,632	17,063	16,430	16,019	15,469	15,014	14,765	14,309	13,950

[1] Industry classifications and wages are based on North American Industry Classification System (NAICS) codes. Data based on NAICS codes are not available in a comparable coding structure prior to 2002.

[2] Wages include only employment covered by unemployment insurance. Wages may not include private firms or disclosure of individual employers.

Source: Quarterly Census of Employment and Wages (QCEW) Annual Data, Labor Market and Economic Analysis Branch, Washington State Employment Security Department

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry (1)

Current Calendar Year and Eight Years Ago

Industry (4)	2010 Annual Averages Number of Employees (2)	Percent of Total	Number of Employers	2002 Annual Averages Number of Employees (2)	Percent of Total	Number of Employers
Government	525,475	18.7%	2,092	490,324	18.8%	2,017
Health care and social assistance	322,215	11.5%	14,229	260,778	9.9%	13,028
Retail trade	303,095	10.8%	14,065	297,953	11.5%	16,040
Manufacturing	254,843	9.1%	6,884	280,964	10.8%	7,738
Accommodation and food services	218,179	7.8%	12,766	199,896	7.7%	11,595
Prof., scientific, and technical services	157,181	5.6%	18,400	131,001	5.0%	16,191
Construction	130,705	4.7%	21,517	142,285	5.5%	24,142
Other services	130,636	4.6%	64,868	74,461	2.9%	10,857
Administrative and support services	130,267	4.6%	9,402	118,810	4.6%	8,814
Wholesale trade	118,244	4.2%	12,945	111,634	4.3%	12,855
Information	102,199	3.6%	2,412	92,715	3.6%	2,627
Finance and insurance	88,153	3.1%	5,610	96,701	3.7%	5,500
Agriculture, forestry, fishing, and hunting	87,643	3.1%	7,218	76,389	2.9%	9,457
Transportation and warehousing	78,681	2.8%	3,945	78,224	3.0%	4,194
Arts, entertainment, and recreation	44,600	1.6%	2,421	40,715	1.6%	2,335
Real estate, rental and leasing	43,854	1.6%	6,286	45,009	1.7%	6,378
Education services	33,752	1.2%	2,396	26,632	1.0%	1,871
Mgmt. of companies and enterprises	31,761	1.1%	603	30,186	1.2%	577
Utilities	4,815	0.2%	231	4,461	0.2%	242
Mining	2,148	0.1%	165	2,965	0.1%	182
Total average employment (3)	2,808,446	100.0%	208,455	2,602,103	100.0%	156,640

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. Data based on NAICS codes are not available in a comparable coding structure prior to 2002.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

(4) The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

Source: Quarterly Census of Employment and Wages (QCEW) Annual Data, Labor Market and Economic Analysis Branch, Washington State Employment Security Department

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2010	Rank 2009	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
28	25	Costco Wholesale	$ 77,946	$ 1,303	114,500	Issaquah
38	36	Microsoft	62,484	18,760	89,000	Redmond
78	100	Amazon.com	34,204	1,152	33,700	Seattle
229	241	Starbucks	10,707	946	137,000	Seattle
238	282	Paccar	10,293	458	17,700	Bellevue
254	270	Nordstrom	9,700	613	52,000	Seattle
354	379	Weyerhaeuser	6,552	1,281	14,250	Federal Way
384	507	Expeditors Intl. of Washington	5,968	344	12,880	Seattle

Source: Fortune Magazine, May 23, 2011

Schedule 19 – Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2010 vs. 2009	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Apples	2.2	$ 1,444	$ 1,413	$ 1,288	$ 1,780	$ 1,403	$ 1,032	$742	$ 1,178	$ 1,023	$900
Milk (2)	38.9	950	684	1,002	1,062	688	836	861	675	674	827
Wheat	55.7	925	594	745	949	618	456	524	521	497	424
Potatoes	1.2	654	646	693	675	562	535	460	489	512	552
Cattle/calves	20.1	568	473	496	574	584	601	476	476	451	493
Hay, all	12.6	509	452	581	498	401	367	380	344	375	375
Cherries, all	58.9	367	231	297	327	273	338	242	176	151	148
Nursery (3)	0.0	300	300	321	318	304	326	329	310	299	288
Grapes, all	1.9	214	210	199	174	147	141	122	144	135	138
Pears, all	19.6	189	158	171	178	159	142	128	129	116	109

(1) Acreage and/or yield data is preliminary. The value may not be finalized until up to 2 years after production.

(2) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

(3) Includes greenhouse products and floriculture.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service

DEMOGRAPHIC INFORMATION

Schedule 20 – International Trade Facts (All Washington Ports)

Last Ten Calendar Years (expressed in millions)

International Trade	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Exports [(1)]	$ 64,723	$ 58,468	$ 77,088	$ 78,453	$ 68,202	$ 51,533	$ 46,051	$ 41,776	$ 41,730	$ 42,935
Imports	80,020	67,896	87,511	85,469	81,953	81,308	65,135	55,762	54,059	58,144
Trade balance	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)	$ (13,752)	$ (29,775)	$ (19,084)	$ (13,987)	$ (12,329)	$ (15,209)
Two-way trade	$ 144,743	$ 126,364	$ 164,599	$ 163,922	$ 150,155	$ 132,841	$ 111,186	$ 97,538	$ 95,789	$ 101,079

(1) Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Some figures may not total due to rounding.

Source: Washington State Department of Commerce (U.S. Census Bureau)

Schedule 21 – Value of Trade with Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners [(1)]	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Canada	$ 14,936	$ 13,326	$ 17,049	$ 15,267	$ 12,894	$ 10,581	$ 8,758	$ 7,141	$ 6,414	$ 6,525
China (Mainland)	11,695	7,607	8,614	9,357	8,030	6,576	4,219	2,968	3,032	3,445
Japan	7,368	6,475	10,677	10,567	9,810	9,272	8,779	7,988	6,865	5,938
Korea	3,378	2,584	4,003	3,683	3,161	2,467	3,296	3,014	3,712	3,605
Malaysia	2,775	2,085	2,126	1,102	1,537	428	696	277	939	742
Taiwan	2,556	1,917	3,142	3,702	3,332	3,822	2,761	2,503	1,464	1,970
Germany	1,656	1,413	1,011	1,163	814	623	514	758	983	1,728
Ireland	1,577	1,791	1,108	1,196	868	983	917	907	617	586
Quatar	1,531	1,226	477	382	27	5	2	4	1	2
Turkey	1,369	329	709	154	576	64	30	71	569	470

(1) Export figures are based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Commerce (U.S. Census Bureau)

Schedule 22 – Value of Trade with Major Import Trading Partners

Last Ten Calendar Years (expressed in millions)

Import Partners [(1)]	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
China (Mainland)	$ 32,228	$ 27,341	$ 30,632	$ 28,684	$ 24,198	$ 22,653	$ 16,138	$ 13,955	$ 12,155	$ 9,875
Canada	13,948	10,916	15,877	16,925	18,555	21,390	18,291	15,917	15,658	17,074
Japan	13,886	11,656	17,274	15,858	15,980	15,245	13,367	11,425	10,389	12,659
Korea	3,315	2,719	3,875	4,235	4,264	4,270	3,468	2,788	2,637	2,558
Taiwan	3,141	2,414	4,072	3,610	3,451	3,519	2,776	2,160	2,382	3,200
France	1,240	483	742	546	733	854	511	468	750	859
Vietnam	1,234	1,160	1,092	1,130	904	819	473	301	177	37
Angola	1,072	713	1,480	757	599	167	34	N/A	N/A	N/A
Thailand	974	804	1,154	1,221	1,389	1,296	918	813	841	1,015
Indonesia	819	750	842	1,065	1,100	1,069	816	627	879	880

(1) Import figures are based on all Washington State ports, all methods of transportation.

N/A indicates data not available.

Source: Washington State Department of Commerce (U.S. Census Bureau)

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Value of all taxable property:										
Assessed value	$ 824,885	$ 862,108	$ 919,505	$ 841,309	$ 738,395	$ 634,883	$ 573,677	$ 535,208	$ 506,838	$ 478,687
Property value of exemptions:										
Senior citizen	$ 5,362	$ 6,491	$ 8,715	$ 8,022	$ 6,604	$ 5,267	$ 3,839	$ 3,362	$ 3,327	$ 4,066
Head of household	72	77	84	105	44	68	47	56	56	53
Total exemptions	$ 5,434	$ 6,568	$ 8,799	$ 8,127	$ 6,648	$ 5,335	$ 3,886	$ 3,418	$ 3,383	$ 4,119
New construction and improvements:										
Assessed value	$ 9,001	$ 13,443	$ 19,435	$ 20,861	$ 19,680	$ 15,393	$ 12,872	$ 11,356	$ 10,724	$ 10,896

Source: Property Tax Statistics Report, Washington State Department of Revenue

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Permits	20,691	17,011	28,919	47,397	50,033	52,988	50,089	42,825	40,200	38,345
Valuations	$ 3,891	$ 3,186	$ 5,063	$ 8,130	$ 8,540	$ 8,742	$ 7,535	$ 6,346	$ 5,473	$ 4,689

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	9,196	9,696	9,899	9,734	9,508	9,330	9,272	9,004	8,867	8,761
Human services	32,133	34,034	35,015	34,720	33,669	32,918	33,368	32,964	32,909	33,080
Natural resources	5,928	6,120	6,479	6,596	6,507	6,254	6,253	6,245	6,275	6,307
Transportation	10,783	11,037	11,264	11,300	11,025	10,662	10,549	10,373	10,410	10,531
Education	49,454	49,086	49,889	49,070	47,984	47,477	47,327	46,491	45,802	45,139
Total	107,494	109,973	112,546	111,420	108,693	106,641	106,769	105,077	104,263	103,818
Percentage change	-2.3%	-2.3%	1.0%	2.5%	1.9%	-0.1%	1.6%	0.8%	0.4%	3.9%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year.

FTE staff years can be computed two ways:

(1) By accumulating all FTE staff months for a full year and dividing by 12.

(2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include budgeted operating and capital FTEs and FTEs for nonbudgeted higher education funds.

Source: Washington State Office of Financial Management, Statewide Accounting

Schedule 26 – Full-Time Equivalent Staff Comparison (General Fund State)

Last Ten Fiscal Years

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	3,060	3,234	3,285	3,225	3,175	3,108	3,102	3,022	3,030	2,904
Human services	16,962	16,984	17,699	17,944	17,548	17,051	17,130	17,167	17,701	17,398
Natural resources	1,712	2,080	2,505	2,462	2,193	2,175	2,166	2,226	2,066	2,189
Transportation	371	418	373	449	343	428	307	334	188	391
Education	16,535	17,675	21,269	21,082	20,171	19,587	19,265	19,297	18,512	18,555
Total	38,640	40,391	45,131	45,162	43,430	42,349	41,970	42,046	41,497	41,437
Percentage change	-4.3%	-10.5%	-0.1%	4.0%	2.6%	0.9%	-0.2%	1.3%	0.1%	5.6%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year.

FTE staff years can be computed two ways:

(1) By accumulating all FTE staff months for a full year and dividing by 12.

(2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management, Statewide Accounting

OPERATING INFORMATION

Schedule 27– Operating and Capital Asset Indicators by Function General Government

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Department of Revenue					
Number of state excise taxpayer registered accounts	824,588	793,056	804,145	782,010	774,295
Number of taxable real estate excise tax (REET) sales	206,805	215,233	198,515	250,971	316,432
General Administration (GA)					
Number of leases for office space (1)	580	619	569	626	610
Gross square feet of leased office space (in thousands)	9,046	8,874	7,521	7,764	8,662
Number of GA owned buildings (2)	38	38	46	46	44
Gross square feet of GA owned office space (in thousands)	3,004	3,004	3,102	3,102	3,101
Liquor Control Board					
Retail licensees	13,584	13,450	13,040	12,925	13,006
Non-retail licensees	3,244	3,051	2,798	2,519	2,471
Number of state owned liquor stores (3)	166	164	161	161	161
Number of contracted liquor stores	162	159	155	154	154

(1) Only includes leases that GA has made. Does not include leases done under a delegation of authority by an agency. Only includes leases for offices, does not include space that may include multiple uses - such as, warehouse and office, office and classrooms, etc.

(2) In fiscal year 2010, five small buildings on the Wheeler site were demolished to make way for construction of a new office building.

(3) The Liquor Control Board is currently authorized to have 166 state operated liquor stores. This number increases through September 2012, when the authorized level for state stores will be 170.

Sources:

Tax Statistics, Washington State Department of Revenue
Washington State Department of General Administration
Washington State Liquor Control Board

2006	2005	2004	2003	2002
759,235	718,224	692,845	652,373	617,491
364,906	364,900	344,056	316,635	287,851
604	549	529	568	557
7,789	6,753	6,650	6,667	6,588
44	44	44	44	44
3,101	2,893	2,893	2,878	2,878
12,650	12,331	12,121	11,791	11,453
1,954	1,690	1,409	1,393	1,166
161	159	161	157	157
154	153	154	155	157

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Department of Social and Health Services [(1)]					
Mental health programs:					
Mental health state facilities [(2)]	3	3	3	4	4
Mental health state facilities available beds	1,176	1,197	1,264	1,359	1,380
Mental health state facilities average daily census [(3)]	1,078	1,101	1,172	1,251	1,292
Community outpatient mental health facilities [(4)]	184	177	149	144	150
Community outpatient mental health programs, clients served [(5)]	132,036	131,865	126,297	128,444	120,372
Medical assistance programs:					
Monthly average caseload certified eligible	1,216,380	1,165,011	1,027,409	972,444	887,966
Income assistance programs:					
Temporary assistance for needy families caseload	65,094	64,451	56,459	50,122	51,939
Food assistance caseload [(6)]	536,213	458,123	351,617	288,281	279,985
Department of Corrections					
Number of correctional institutions [(7)]	12	13	15	15	15
Prison population	18,483	18,457	18,627	18,551	18,471
Prison operating capacity	17,060	16,856	16,756	15,785	15,222
Department of Health					
Licensed health professionals [(8)]	372,657	357,771	351,441	330,850	331,147
Department of Labor and Industries					
Claims filed, injured or ill workers	100,690	102,734	116,616	136,791	140,308
Electrical inspections performed	171,861	189,763	216,305	265,564	282,100
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program	5,807	7,434	7,285	5,217	6,451

(1) Due to reporting lags, the Department of Social and Health Services (DSHS) periodically revises data for periods up to five years.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) The increased number of community outpatient mental health facilities in fiscal year 2010 is due to funding shifts and legislation.

(5) Excludes involuntary clients.

(6) Data reflects state fiscal year average, total participating households.

(7) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(8) Includes certified, licensed, and registered health professionals. The count for 2002 is an average of the years before and after because, during that time period, the Department of Health reported this information every other year. Emergency medical technicians were not included in the counts for years prior to 2007.

Sources:
Washington State Department of Social and Health Services
Washington State Department of Corrections
Washington State Department of Health
Washington State Department of Labor and Industries

2006	2005	2004	2003	2002
4	4	4	4	4
1,280	1,247	1,218	1,287	1,379
1,262	1,207	1,192	1,225	1,328
150	150	150	150	150
120,863	125,929	131,069	127,967	125,524
894,804	857,599	862,935	864,389	840,018
55,524	57,026	55,610	54,636	55,068
273,551	251,455	220,130	192,334	164,531
15	15	15	15	15
17,905	17,580	16,046	15,580	15,405
15,013	15,002	15,341	13,262	13,262
287,512	284,439	275,023	265,607	256,173
140,887	139,365	137,835	140,710	149,061
172,402	180,401	162,503	153,874	133,828
7,154	7,225	6,877	7,854	7,837

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function
Transportation

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Department of Transportation					
Number of ferries (1)	21	22	22	24	28
Vehicles on ferries (in thousands)	9,973	10,134	9,910	10,391	10,827
Passengers on ferries (in thousands)	12,374	12,504	12,598	12,901	13,163
State highway miles of travel (2)					
Rural (in thousands)	N/A	11,521	11,362	10,988	11,564
Urban (in thousands)	N/A	20,243	20,093	19,754	20,406
State highway lane miles					
Rural	13,795	13,744	13,724	13,685	13,668
Urban	6,792	6,755	6,668	6,566	6,505
Total	20,587	20,499	20,392	20,251	20,173
Pavement patching & repair (square feet) (3)	135,952	179,585	128,076	100,124	92,216
Pavement striping maintenance (miles) (3)	26,608	16,801	18,140	20,020	20,328
Anti & de-icing liquid application (gallons in thousands) (3)	1,774	2,834	4,724	3,938	4,541
Litter pickup (cubic yards) (3)	27,320	26,739	12,230	18,452	17,234
Department of Licensing (4)					
Total vehicle registrations (in thousands)	6,974	6,752	6,862	7,028	6,732
Licensed drivers (in thousands)	5,181	5,109	4,905	4,842	4,774
State Patrol (5)					
Total contacts	1,272,511	1,258,626	1,257,774	1,237,584	1,255,500
Citations issued	520,432	523,781	540,181	570,691	592,122
Motorist assists	310,008	296,886	305,421	306,650	309,864
Collisions investigated	37,105	34,181	36,922	39,289	40,666
Number of traffic officers	624	636	633	616	626

(1) In June 2011, a new 64-car vessel was placed into service. In December 2010, the last two passenger-only vessels were sold. In 2008, four steel electric ferries went out of service.

(2) Data available on a calendar year basis.

(3) Data not available prior to 2005.

(4) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers. 2002 data reflects calendar year counts.

(5) Prior to 2006, data available only on a calendar year basis.

N/A indicates data not available.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2006	2005	2004	2003	2002
28	28	28	29	29
10,597	10,810	10,867	10,812	11,141
12,960	13,071	13,541	13,703	14,489
11,397	11,293	11,354	12,900	12,732
20,367	20,336	20,203	18,763	18,754
13,652	13,641	14,337	13,978	13,962
6,447	6,362	5,633	5,226	5,203
20,099	20,003	19,970	19,204	19,165
160,280	116,357	N/A	N/A	N/A
23,145	27,389	N/A	N/A	N/A
3,507	3,446	N/A	N/A	N/A
22,916	41,115	N/A	N/A	N/A
6,638	6,494	6,419	6,215	6,196
4,690	4,587	4,412	4,319	4,400
1,309,510	1,356,300	1,482,090	1,508,647	1,442,087
541,287	506,462	518,721	571,272	N/A
344,249	352,615	329,896	409,954	N/A
40,535	40,175	36,449	32,874	31,401
626	651	686	684	811

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
State Parks and Recreation Commission					
Number of developed state parks	116	118	120	120	120
Number of owned or managed properties	241	183	219	231	231
Acreage of state parks (1)	121,547	121,506	121,152	121,010	120,146
Attendance at state parks (in thousands)	38,896	44,315	41,535	41,590	39,297
Department of Fish and Wildlife					
Recreational licenses issued					
Hunting licenses	349,676	363,357	364,810	370,235	359,510
Fishing licenses	1,147,059	1,156,707	1,009,075	943,904	954,478
Hatchery releases (pounds in thousands) (2)					
Salmon releases	4,175	4,129	4,506	4,432	4,786
Trout releases (3)	1,367	1,358	1,413	1,410	1,531
Department of Natural Resources (2)					
Common schools trust land acreage (in thousands)	1,802	1,810	1,813	1,799	1,757
Total trust land acreage (in thousands)	2,929	2,944	2,947	2,923	2,877
Timber acres harvested	20,609	26,841	27,168	24,625	29,687
Timber volume harvested (thousand board feet)	669,442	805,946	504,939	504,796	493,341
Timber volume sold (thousand board feet)	597,083	741,666	545,634	660,247	570,531
Natural area preserve sites	54	54	53	52	52
Natural area preserve acreage	36,896	35,585	35,365	31,207	29,991
Natural resources conservation area sites	31	30	30	29	31
Natural resources conservation area acreage	108,100	97,293	96,989	93,534	88,862

(1) Prior to 2007, acreage owned by the U.S. Bureau of Land Management, leased jointly by State Parks and the Department of Fish and Wildlife (DFW), and managed by DFW was included.

(2) Fiscal year 2011 data is preliminary.

(3) Trout releases do not include trout lodge fish purchased by DFW.

N/A indicates data not available.

Sources:

Washington State Parks and Recreation Commission

Washington State Department of Fish and Wildlife

Washington State Department of Natural Resources

2006	2005	2004	2003	2002
120	114	120	120	126
226	227	229	231	238
260,487	260, 028	259,453	259,244	262,393
40,026	40,331	40,410	45,960	48,864
342,230	330,453	321,906	324,544	332,769
929,884	963,088	1,031,213	955,037	1,068,136
4,697	4,744	4,786	5,004	5,226
1,410	1,494	1,512	1,504	1,562
1,757	1,758	1,752	1,748	1,745
2,876	2,875	2,882	2,862	2,860
N/A	30,529	27,629	24,405	23,921
657,962	694,999	616,051	494,266	492,173
527,609	598,445	547,749	542,607	494,798
51	49	49	48	47
29,975	29,871	30,074	29,786	27,787
30	28	28	28	27
87,793	87,357	86,401	84,795	85,408

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function
Education

Last Ten Academic Years

	2010-11	2009-10	2008-09	2007-08	2006-07
K-12 Enrollment (1)					
K-8	673,641	668,055	663,124	653,862	648,975
9-12	312,811	314,318	312,954	313,598	313,370
Private and home based	9	14	12	19	23
Summer (2)	890	1,222	642	538	333
Running start	12,776	12,487	11,824	11,176	10,811
UW transition	108	104	102	103	100
Total	1,000,235	996,200	988,658	979,296	973,612
High school graduates (3)	N/A	60,835	58,687	58,005	58,875
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment (1) (4)	162,328	160,778	148,000	136,723	132,346
Associate degrees granted	26,434	22,368	21,295	20,911	20,763
Baccalaureate degrees granted (5)	138	51	35	N/A	N/A
Student achievement points (6)	390,300	393,135	352,419	308,800	295,259
Public Universities (7)					
Number of campuses	10	10	10	10	10
Enrollment (1)	103,214	101,165	98,292	94,310	92,215
Baccalaureate degrees granted	N/A	22,798	22,061	21,641	21,442
Masters degrees granted	N/A	5,138	4,772	4,715	4,711
Doctors degrees granted	N/A	880	878	811	838
Professional degrees granted	N/A	717	684	691	718

(1) K-12 enrollment figures are estimated for academic year 2010-11. Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten - 4 classroom hours/day for 90 days or 2 classroom hours/day for 180 days.
- Grades 1 through 3 - 4 classroom hours/day for 180 days.
- Grades 4 through 12 - 5 classroom hours/day for 180 days.
- Undergraduate student - 15 credit hours per term.
- Graduate student - 10 credit hours per term.

(2) The increase in skills center summer students in academic year 2009-10 was due to reporting and funding changes.

(3) High school graduates for academic year 2010-11 not available at time of report.

(4) Enrollment figures include all non-Running Start students, which may include students under the age of 18. Beginning in academic year 2006-07, figures also include students enrolled in baccalaureate partnership programs.

(5) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(6) Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student achievement points are essential to the Student Achievement Initiative within the community and technical college system. The Initiative was implemented in 2007 to increase educational attainment in Washington State, therefore data is not available for prior academic years.

(7) Public Universities include all 4-year public institutions and branch campuses. In 2006, the Spokane campus of Washington State University was combined with the Pullman campus. Degrees granted for academic year 2010-11 not available at time of report.

N/A indicates data not available.

2005-06	2004-05	2003-04	2002-03	2001-02
649,655	648,526	650,269	650,596	651,692
311,684	307,451	302,091	298,912	295,890
22	52	89	100	169
332	473	438	352	467
10,256	9,761	9,351	8,814	8,305
109	109	105	71	43
972,058	966,372	962,343	958,845	956,566
56,874	57,449	57,926	60,525	54,359
34	34	34	34	34
130,933	131,489	138,241	139,753	133,962
21,450	21,632	22,326	20,403	18,516
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
11	11	11	11	11
91,571	91,358	90,075	89,511	87,969
20,989	20,882	20,456	19,454	18,635
4,748	4,750	4,685	4,591	4,285
814	739	670	638	613
681	649	648	634	642

Sources:

Washington State Office of Financial Management, Forecasting Division
Washington State Office of Superintendent of Public Instruction
Washington State Board of Community and Technical Colleges
Washington State Higher Education Coordinating Board

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